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NATIONAL SELF-DETERMINATION RECONSIDERED

BY ERICH HULA

I

TO ALL intents and purposes the present war is waged by the United Nations for the liberation of the peoples conquered by Germany and Japan. But national self-determination—in the sense in which it came to be understood during the First World War—has not been proclaimed as the guiding principle of postwar reconstruction.

To be sure, the Atlantic Charter has occasionally been interpreted as an assertion of the principle of national self-determination. Actually, however, the Charter neither contains the phrase nor suggests its meaning. Rather it proposes—if only as the basis of “a wider and permanent system of general security” to be set up in due time—the reestablishment of the European system of states as it existed before the present war. “We had in mind primarily restoration of the sovereignty, self-government and national life of the states and nations of Europe now under the Nazi yoke,” said Prime Minister Churchill, commenting on the Declaration, in the House of Commons on September 9, 1941. This should not be taken to mean that the Charter visualizes a static world, whether in the political, economic or social sphere. It means only that the document recognizes concrete historic rights but does not proclaim abstract rational rights. It is animated by the spirit of Burke, not of the Jacobins.

This spirit is most obvious in Article 3 of the Charter, which expresses the wish of the United States and British governments “to see sovereign rights and self-government restored to those [peoples] who have been forcibly deprived of them.” But it has also determined the cautious formulation of the article which envisages

changes of the territorial status quo ante. The two governments desire, so runs Article 2, "to see no territorial changes that do not accord with the freely expressed wishes of the peoples concerned." In other words, the Charter does not propose any territorial changes, whether on the basis of the principle of national self-determination or on that of any other abstract principle, but merely states the desire that such changes as might seem recommendable should not be effected against the wishes of the respective populations. It rejects annexations, but it does not suggest any positive principle regarding territorial reconstruction.

In so far as the Atlantic Charter refers to the popular will it subscribes solely to the principle of self-determination. Self-determination, however, is not identical with national self-determination. Historically, no doubt, the latter has developed out of the former, and actually they often go together. Nevertheless they are fundamentally different conceptions. The principle of self-determination which inspires Article 2 of the Atlantic Charter is nothing but the application—to alterations of territorial boundaries which may for one reason or another be deemed necessary—of the democratic postulate that government should be founded on consent rather than on force. The principle of national self-determination, on the other hand, or as it is more adequately called, the principle of nationalities, has come to stand for the idea that every nationality should have the right to and should also actually form its own state. It is a regulative principle of boundary changes.¹ There is not one word in the Atlantic Charter which can be interpreted in the terms of the latter principle.²

It would be unjustified to conclude from this fact alone that there is a distinct trend away from the philosophy of national self-deter-

¹See Robert Redslob, *Le principe des nationalités* (Paris 1930) p. 7.

²When Article 3 declares that "They [the United States and British governments] respect the right of all peoples to choose the form of government under which they will live," it simply forswears, strangely enough without any qualification, intervention in constitutional matters, according to the principle of international law that any state may settle for itself its own form of government. But it does not hold out any promise of liberation from a particular sovereignty.

mination. In the First World War, too, the acceptance and proclamation of so revolutionary a principle were long shunned by the leading statesmen of the western powers. President Wilson's Fourteen Points, set forth in an address to Congress on January 8, 1918, make conservative reading today in the light of later enunciations and events. The emphasis lies rather on "no annexations" than on national self-determination. The latter principle was applied to the claims of the Italians and Poles alone. The other peoples of polyglot Austria-Hungary, as well as the non-Turkish nationalities of the Ottoman empire, were not yet assured of any right to their own sovereignty. Points 10 and 12 merely demanded for them a free and absolutely unmolested opportunity for autonomous development within the political framework of the two empires. The consideration that the assurance of their complete independence, if and when the western coalition should win the war, would shatter the resisting power of Germany's allies was what finally led to the official adoption of the principle of national self-determination. This principle became a peace aim because it suited the foremost war aim: in other words, because it suited the purpose of weakening and defeating the enemy.³

We are on safer ground if we regard the interests at stake for the United Nations in the present war as warranting the expectation that the history of the first world conflict will not repeat itself in the present one. After all, it is no accident that the slogan of national self-determination could be taken up by Hitler and most successfully applied against those nations which had won their political independence by appealing to the very same principle. Revolutionary ideas are easy to let loose, but hard to stop. To say it bluntly, the foremost protagonists of the principle of national self-determination in World War I find themselves in World War II in the position which was during the earlier war held and defended against them by the rulers of Austria-Hungary. The postulate that

³The several phases leading up to the acceptance of the principle of national self-determination have been surveyed by Sarah Wambaugh, *Plebiscites since the World War* (Washington 1933) vol. 1, pp. 3 ff.

each nationality should constitute its own state is as much a threat to the resurrection, after Germany's defeat, of Czechoslovakia, Poland and Yugoslavia as it was once a deadly blow to the existence of the Danube monarchy.

There is nothing surprising in this reversion of the respective positions. The new states were national states only in theory. In fact, they were as much multi-national as the monarchy which they succeeded.

On this question we must think not only of the German minorities in those states, but also of the relationship among the peoples who were or at least figured as their founders. It is unnecessary to dwell upon the strife among Serbs, Croats and Slovenes which fills the pages of Yugoslavia's short history. Its dramatic form and the passion with which it was fought have put it into the limelight of European politics. The relations of the Czechs with the Slovaks and Ruthenes were outwardly much smoother, but disruptive forces were at work in Czechoslovakia too. The Czech attempt to rescue the Slovaks from the Magyar melting-pot, and to awaken them to the consciousness of a common Czechoslovak nationality, succeeded only in its first part; otherwise it resulted in the development of a Slovak national consciousness. The liberation of the Ruthenes worked in the same way.* Poland had her Ukrainian irredenta, potential or actual, not to mention her numerically lesser minorities.

The revolt of the small nations was thus followed by the revolt of the smaller ones. To be sure, it burst into flame only when Hitler found it convenient for his own sinister purposes to stir it up. But the inflammable matter was there before Hitler entered upon his career of conquest, and it will still be there after Hitler's career has been wrecked. The governments in exile of Poland, Yugoslavia and Czechoslovakia will therefore hardly care about giving new force to the idea of national self-determination, but will rather

*See C. A. Macartney, *Hungary and her Successors (1919-1937)*, issued under the auspices of the Royal Institute of International Affairs (London 1937) pp. 136 ff. and 487 ff.

continue to base their claims to restoration on the ground of historic rights.⁵

We can scarcely assume, however, that the slogan of national self-determination has altogether spent its force. I have just referred to ethnical groups in eastern Europe which were aroused to nationalist ambitions only in recent years, or whose national feeling was greatly intensified as a result of the peace settlements of 1919-20. Such examples could unfortunately be multiplied in Europe's danger zone of ethnically mixed populations. Nor can we safely be sure that we shall not witness in some not too distant future a revival of ethnical groups also in western Europe, with the disruptive consequences we know from the history of that process in central and eastern Europe. Moreover, the ideas of nationality and national independence are no longer confined to Europe. They differ in actual strength from continent to continent and from race to race, but like European nationalism they have become effective all over the world, both as unifying and as disintegrating forces. The Indian question is fraught with the same complexities which beset any attempt at a reasonable solution of the national question in eastern Europe.

Thus the principle of national self-determination is still one of the most potent political ideas of our time. In these circumstances it may not be out of place to reconsider its nature and weigh its alleged merits. The following discussion of these problems is focused on the central and east European scene, the primary locus of the national problem and of national strife both before and after the First World War.

II

Political catchwords rarely convey the true nature of the principles they are supposed to express. Even less do they intimate their intricate implications. The slogan of national self-determination is no

⁵The statements of the foreign ministers of Poland, Czechoslovakia and Yugoslavia regarding the Atlantic Charter, delivered on September 24, 1941, in St. James' Palace, London, do not contain any appeal to the principle of national self-determination. See *Inter-Allied Review*, no. 9 (October 15, 1941) pp. 3 ff.

exception to this rule. It thrives on ideas that are suggested by the phrase but alien to the principle itself. The term sounds like the assertion of the free will of man, but it is essentially a determinist doctrine.⁶ It promises peace and order, but actually intensifies national feeling and makes for permanent revolution. It presents itself as the crowning of democracy, but—to put it in Lord Acton's words—"sets limits to the exercise of the popular will and substitutes for it a higher principle."⁷

The difference between the principle of self-determination and the principle of nationalities, misleadingly called the principle of national self-determination, can hardly be overstressed. It will help us to grasp the true meaning of the two principles if we reflect upon them in the light of the political and legal devices that have been used or suggested for carrying them into practice.

According to the principle of self-determination boundary changes require the assent of the people who happen to live in the territory to be ceded by one state to the other. When the community of the European princes developed, under the impact of democratic ideas, into a family of nations, it began to seem intolerable that the prince, or any other government, should have the right to trade territory without the assent of its inhabitants, as if they were a mere appurtenance of the soil. Thus the plebiscite came into use as a means of applying the principle of popular sovereignty to international politics. Although the law of nations refrained from making the popular referendum an indispensable requirement of every territorial change, the plebiscite was inserted into many treaties of cession concluded in the nineteenth and twentieth centuries. The few cases to which it was applied by the peace treaties after the First World War are still fresh in memory.

The plebiscite, which is a means of carrying collective self-determination into effect, was long preceded by a device of individual

⁶See C. A. Macartney, *National States and National Minorities*, issued under the auspices of the Royal Institute of International Affairs (London 1934) p. 100 and *passim*.

⁷Lord Acton, "Nationality," in *History of Freedom and Other Essays* (London 1907) p. 288.

self-determination. As a matter of fact, inasmuch as the plebiscite gives heed, and can give heed, only to the will of the majority, individual safeguards against the consequences of boundary changes are not needless. Modern international law abounds in such individual safeguards. First of all it has seen to it that territorial rearrangements should not deprive the individual of the privileges of citizenship. The inhabitants of a territory which changes its sovereign acquire, ipso facto, the nationality of their new state. Persons who desire to emigrate rather than live under another sovereign are entitled to opt for their former nationality or any other nationality that may be open to them. The optants are entitled to retain their unmovable property in the ceded territory, and to carry with them all their movable property. No export duties are to be imposed upon them in connection with the removal of such property.⁸

Modern international law has thus tended to recognize the right of the individual to belong to the political community of his own choice, and to retain his home and property, regardless of the vicissitudes of international politics. Plebiscite and option have been the instruments of self-determination.

Neither of these devices, however, implies in itself any endorsement of the idea that every nationality should have the right to, and should also actually, form its own state. In fact, some of the plebiscites taken after the First World War resulted in the rejection of the idea of the national state. And a great many optants, in exercising the right of individual self-determination granted to them by the peace treaties of 1919-20, refuted rather than complied with the basic philosophy of the principle of nationalities.

This is not to suggest that the principle "each nationality a state" is in all circumstances in conflict with the principle of self-determination, which recognizes man's right to choose his own sovereignty. But neither should it be taken for granted that the prin-

⁸See, for example, Article 3 of the treaty between the United States, the British empire, France, Italy, Japan and Poland, signed at Versailles, June 28, 1919 (*League of Nations, Protection of Linguistic, Racial and Religious Minorities by the League of Nations*, Geneva, August 1927).

ciple of nationality is essentially in accordance with that individualist principle. The classic example of an obvious clash between the principle of self-determination and the principle of nationalities is the case of the Alsatians. Although they are ethnically German they claimed in 1871 the right to remain a part of the political community of the French nation.

The holder of the right of national self-determination is significantly not the individual, but a collectivity. Again, this recognition of the distinctive personal character of the national group, and of corresponding inherent group rights, does not necessarily imply the negation of any rights of the members of the group. As a matter of fact, everything depends on what is considered to be the nature of the nation, and of its relations with the individual members. If the nation is viewed, as in the subjective theory of nationality, as a phenomenon of the free human will, as an act of will, then a conflict between the national group and those who adhere to it can hardly materialize. And even in the view that the nation is constituted by objective factors, whether of a spiritual or a physical character, there is no denial to the individual of basic rights within the national order. The nationalist movement of the nineteenth and twentieth centuries, up to the rise of Hitler, was a liberal-democratic movement, its ideal being the free man in the free nation.

But the fact remains that the principle "each nationality a state," at least by implication, assigns the legitimate control over a man's actions to the government of his own nationality, and to that specific government alone, thus anticipating his free decision as to the sovereignty under which he wants to live. It takes for granted what ought to be proved—that a man's attachment to his ethnical group is by nature stronger than any other nexus of loyalties. But the Alsatians protested in 1871 against being incorporated into Germany for the very reason that their ethnical ties and their political preference did not go together. Self-determination and what is called national self-determination coincide only for the nationalist.

Moreover, modern nationalism is not so much a psychological

theory of the play of loyalties in the human heart as a doctrine of man's moral obligation to put national solidarity above all other considerations and emotions. Long before Hitler tried to sap the allegiance of the Austrians and of the Sudeten Germans to their respective governments by appealing to the ties of blood which connect them with the German race, Treitschke called the claim of the Alsatians for self-determination "the plausible solution of demagogues without a fatherland," and opposed to the right of the branches of the German race to decide on their own destinies "the right of the German nation, which will not permit its children," as he sentimentally declared, "to remain strangers to the German Empire."⁹ Nor is it Germany alone which has substituted for man's right the "divine right" of the ethnic collectivity, to put it in the words of Renan, who was haunted by the fear that the victory of the ethnological conception of nation would destroy European civilization.¹⁰

From the middle of the nineteenth century onward the nationalist point of view was generally regarded as the only legitimate one, the only one that needed no further justification. This can be clearly seen from the way in which the principle of nationalities was carried into effect, and from the favorable reaction of public opinion to the substance and form of the nationalist policy. The establishment of national states in central, southern and eastern Europe was announced to the western world, and also accepted by it, as the realization of the principle of popular sovereignty. Actually only Cavour, the strategist of the Italian movement for national union, cared to keep up democratic appearances. But the plebiscites which Cavour cleverly made the technique of his Italian policy, informal and unilateral as they were, scarcely lived up to the standards of truly democratic referendums.¹¹ Bismarck's Germany was a federation of

⁹Heinrich von Treitschke, *Was fordern wir von Frankreich?* (1871), quoted by Macartney, *National States and National Minorities* (cited above) p. 100. See the English translation of the essay in Heinrich von Treitschke, *Germany, France, Russia and Islam* (London 1915).

¹⁰Ernest Renan, *Q'est-ce qu'une nation?* (Paris 1882) p. 13.

¹¹Sarah Wambaugh, "Plebiscite," in *Encyclopaedia of the Social Sciences*, vol. 12 (1934) p. 165.

princes, forged by blood and iron. Blood and iron, sugared for western consumption by farcical plebiscites, accomplished in 1938 what was called in Hitler's terminology the establishment of Greater Germany.

It was not plebiscites that ushered in the existence or, in most cases, determined the frontiers of the so-called national states that were founded in 1918 on the ruins of the defeated Hapsburg monarchy. To be sure, the establishment of the successor states can safely be assumed to have been effected in accordance with the popular wishes of the Czechs, Poles, Serbs and Rumanians who were to occupy in their own states a dominant position. But this assumption hardly holds good for those nationalities that were to be united with them, merely on the grounds of kinship. Reared on the pattern of modern nationalist thought, the statesmen around the peace table at Paris discarded even the possibility—to refer only to one example—that the Slovaks might not mind staying with Hungary.¹² But it is even more significant and revealing for the state of mind prevailing in the Anglo-Saxon countries after Versailles that the peoples of those countries felt infinitely more worried about the cases in which their statesmen had not admitted the principle of nationalities, like those of Austria and the Sudetenland, than about the cases in which they had applied that principle, though probably against the wishes of the populations concerned. This state of mind was the psychological basis of the English policy of appeasement up to the moment when Hitler's fist reached for the first time beyond the "branches of the German race."

The determinist character of the principle of nationalities is most strikingly revealed by the device of compulsory transfer of population, specifically designed for carrying that principle into effect. To be sure, in pre-Hitler days it was applied only once. But there can be no doubt that the example of the Convention of Lausanne, concluded in 1923 and providing for the compulsory exchange of Turkish and Greek nationals, has been steadily gaining ground in public opinion. It was even recommended by a member of the

¹²See Macartney, *Hungary and her Successors* (cited above) p. 485.

Permanent Court of International Justice.¹³ Plebiscite and option were intended to protect the individual against being treated like an appurtenance of the soil, but compulsory transfer degrades him to an appurtenance of the race to which he is supposed to belong. Sarah Wambaugh places at the beginning of her standard work on *Plebiscites since the World War a Hymne à la terre*, "as the doctrine of self-determination is rooted in the passionate attachment of the peasant to his fields, the villager to the home of his fathers, and their willingness to suffer and to die rather than forsake them" (pp. xiii ff.). The principle "every nationality a state," and its refined technique of compulsory transfer, are the very negation of these most elementary rights of the common man.

III

If it is true that in politics too a price has to be paid for everything, then man ought to be ready to sacrifice even his right of self-determination, provided that this sacrifice serves a still nobler cause than individual freedom. Indeed, time and again in the past and in the present century the advocates of the principle of nationalities have expressed their firm belief that its application would guarantee permanent peace. If the units of international society, so runs the typical argument, were national states whose frontiers coincided with the ethnical boundaries, war and conquest would fade out of the picture of international politics. To be sure, the organization of mankind on strictly national lines might upset the balance of power on which the system of states has thus far been supposed to rest. But that artificial structure would merely be giving way to a more natural and therefore more stable international order. In fact, so we are told, the formation of national states would be the first step toward an all-embracing confederation of states.¹⁴

The actual development which accompanied and followed the victory of nationalism in Europe did not, however, bear out these

¹³See Rafael Altamira, *Nationale Minderheiten und Bevölkerungsaustausch in Die Friedenswarte* (Zurich 1940) p. 218.

¹⁴See Robert Redslob, *Das Problem des Völkerrechts* (Leipzig 1917) pp. 246 ff.

optimistic expectations. Rather it confirmed Renan's fear that the substitution of the principle of nationalities for "the sweet and paternal symbol of legitimacy" would turn the agonistic fight of Europe's princes into absolute wars of extermination.¹⁵ Even if we grant that the causes and the character of modern war cannot be entirely explained in terms of modern nationalism—war is, after all, older than nationalism, and its specific character is to a large extent the result of the range and complexity of modern political, social and economic organization and also of technical development—the fact still remains that the formation of ethnically homogeneous states has tended to intensify national feeling and weakened the brotherhood of man.

The apostles of so-called national self-determination have always wanted to make us believe in the irresistibility of the nationalist movement and the self-evident character of its postulate that the state in which man lives should coincide with the nationality to which he is linked by spiritual and physical ties. The truth is that the nationalist philosophy became the common belief, in so far as it ever actually did, only after man had been made to live in and undergo the influence of the national state. That this was the actual sequence of state and nation in western Europe can hardly be contested, in view of the fact that England and France had long been firmly established states when modern nationalism began to rise. But by and large it holds true also for the national states which have come into being in the last seventy years.¹⁶

"Italy was made; there were still to be made the Italians," said the conservative statesman d'Azeglio, reflecting upon the actual situation after the accomplishment of Italian unity.¹⁷ Nearly forty years later the socialist Benito Mussolini could rightly remark that

¹⁵Ernest Renan, *Guerre entre la France et l'Allemagne* (Paris 1870), quoted by Redslob, *Le principe des nationalités* (cited above) p. 91.

¹⁶Common government as an integrating factor has been duly stressed in a Report by a Study Group of Members of the Royal Institute of International Affairs, *Nationalism* (London 1939) pp. 2 ff., 249 ff.: "The objective factors which encourage the development of common feeling may be looked upon as the result rather than as the cause of a government's existence" (p. 4).

¹⁷Benedetto Croce, *Storia d'Italia dal 1871 al 1915* (4th ed., rev., Bari 1929) p. 102.

Italians still think in regional rather than in national terms: "Italy is not one. There are different peoples, hardly amalgamated by an administration that is fiercely unitary and centralizing."¹⁸ And Bismarck, meditating in his *Gedanken und Erinnerungen* on the reasons for the breakdown of the democratic national movement in 1848, attributes the collapse mainly to the fact that the citizen of Prussia, Hannover, Württemberg, Bavaria, Hesse, felt more strongly attached to his particular dynasty than to the German nation. "Suppose," writes Bismarck, "that all the German dynasties were suddenly deposed; there would then be no likelihood that the German national sentiment would suffice to hold all Germans together from the point of view of international law amid the friction of European politics, even in the form of federated Hanse towns and imperial village communes."¹⁹ If the events of 1918-19 belied Bismarck's fear, it is only for the reason that in the meantime the existence under one common national government had immensely strengthened the national sentiment of the German people. The history of the Weimar republic shows, however, that even half a century after the unification of Germany the German nation had not yet achieved the same degree of coherence which the western nations possess. Though the disruptive forces worked now along social rather than along state lines, without doubt the lack of national coherence as such accounts largely for Hitler's rise to power.

It is hardly an accident that national democracy failed also in many of the states that were founded in eastern and southeastern Europe after the war. But be that as it may, in their case, too, history bears out the thesis that man's alleged right to live under a government of his own nationality becomes a generally accepted axiom of a nearly religious character only after the establishment of a national government has strained man's thinking and feeling into a purely national frame of reference. The example of Czech national-

¹⁸Gaudens Megaro, *Mussolini in the Making* (London 1938) p. 129.

¹⁹Bismarck, *The Man and the Statesman—Reflections and Reminiscences of Otto, Prince von Bismarck*, translated from the German under the supervision of A. J. Butler, 2 vols. (New York 1898) vol. 1, pp. 321 ff.

ism is particularly impressive. Among the nationalities that formed the population of the Austro-Hungarian monarchy the Czechs were probably the one whose collective ethnic consciousness was most intense and most strongly politicized. Still, the common conviction of the Czech people that political independence alone would serve their national ends was rather the result than the cause of the revolution of 1918. Commenting upon how difficult it was to overcome the "pro-Austrianism" of the western statesmen, who were inspired by "the traditional view that Austria was a dam against Germany," Masaryk states that his work abroad after 1914 proved the more difficult because many of the Czechs "had long sought to persuade the world that Austria was a necessity."²⁰ With equal frankness Masaryk admits that his policy of liberation was regarded at home "with some degree of skepticism."²¹

The fact of the matter is that national feeling has hardly ever been equally intense, or of the same nature, among the individual members or classes of any ethnic community, not to speak of the different attitudes of the religious bodies that may coexist within an ethnic group. This is true even today, although in recent times nationalism, not least on account of its institutionalization, has undoubtedly been in the ascendant in all classes alike. The latter is about the only general statement ventured by the scholarly authors of the study on nationalism published by the Royal Institute of International Affairs in 1939.²² Otherwise they rightly warn against dogmatizing on the attitude of the different classes of society toward the nationalist philosophy, and stress its complex character.

There is sufficient evidence, however, to support the view that the several classes of society have different predispositions toward the idea of the national state. By and large, it has appealed most strongly to and been given the most decisive impetus by the middle

²⁰Thomas Garrigue Masaryk, *The Making of a State* (New York 1927) p. 370.

²¹*Ibid.*, p. 374. Masaryk himself became a convert to the idea of national independence only in his later years (*ibid.*, p. 29). See also Victor Cohen, *The Life and Times of Masaryk, the President-Liberator*, with a preface by Jan Masaryk (London 1941) p. 130.

²²*Op. cit.*, pp. 264 ff.

classes, at least in those parts of Europe with which we are here concerned. The nationalism of peasants is essentially of a passive nature. To be sure, students of the problem agree that peasants react vigorously against any policy of national discrimination unfavorable to them, and are therefore difficult to denationalize, more difficult than the inhabitants of the cities; in this sense the peasants are, indeed, the backbone of the national community. But they have not been eager to strive for national statehood. Their attitude belies, as it were, the very philosophy which has inspired the principle of nationalities, by disproving its basic assumption that the existence and integrity of a national group are dependent on its political sovereignty. Unless he is subject to a ruler who has set out to exterminate him, the peasant remains what he is through the vicissitudes of politics, like the soil that he laboriously tills. The attitude of the working class toward the idea of the national state has been less uniform. In so far as it has fallen in with the nationalist movement it has done so with a receptive rather than with a productive mind.

Thus it can hardly be denied that the establishment of the national state—corresponding as it does to the feeling of the ethnically most conscious section of the population, and setting up a mechanism of unifying the people on a level of intense ethnic sentiment—is bound to be followed by an intensification rather than by a diminution of nationalism. But the result of this process is not necessarily aggressive nationalism. As a matter of fact, the devastating effect produced by applying the principle of nationalities to the national question in central and eastern Europe lies in the resulting tendency toward an intensification of aggressive nationalism on the German side and of what might be called introverted nationalism on the part of the small nations that lie east and south of Germany.

We should be careful not to idealize small nations. The range of man's sins depends very much upon the range of opportunities offered to him. After all, the short independence which the small nations of central and eastern Europe enjoyed between the two

world wars was hardly a sinless existence, though their self-restraint in exercising power was even more remarkable, human nature being what it is, than the worst abuse of power for which they may be to blame. They knew how to play the game of politics with the same moral facility, and handled the devices of the game with the same shrewdness, as the big fellows. But what nurtured their nationalist passion was essentially what the French call *l'esprit municipal*, the belief that national security lies in isolation, and the will to be let alone. The slogan of the Irish Sinn Fein, "We alone," has always, consciously or unconsciously, been the strongest motive in the policy of the so-called small nations. History compelled them to be continuously on the alert against the more powerful nations. To this fact they owe the resourcefulness of their mind and the abiding energy of their will. But it also developed in them that unfortunate defensive psychology which an Alsatian student of the national question, describing the political attitude of his own countrymen, has characterized as politics "dans le petit cadre."²³ This suspicious attitude makes the small nations difficult and stubborn partners in any political combination. It is their tragedy that the very nature of their nationalism makes them still weaker than they already are in terms of population, territory, wealth and military force.

"Circumstances," remarked Burke, "which with some gentlemen pass for nothing, give in reality to every political principle its distinguishing colour and discriminating effect. The circumstances are what render every civil and political scheme beneficial or noxious to mankind."²⁴ Burke's general dictum applies also to the principle of nationalities. A system of states which organizes political power units along ethnical lines is bound in the long run to give to the numerically strongest units the advantage over the weaker ones. This effect would weigh heavily enough against the principle of nationalities, even if the small state as such had not been rendered

²³See Redslob, *Le principe des nationalités*, p. 150. Macartney (*Hungary and her Successors*, p. 365) gives a similar description and explanation of "the psychology of the weaker party."

²⁴Edmund Burke, *Reflections on the French Revolution* (Everyman's Library) p. 6.

a somewhat problematic political unit by the military and economic development of recent times.²⁵

Germany's relative gain in physical strength has not been the only unwelcome effect of the principle of nationalities. Germany could and did exploit that principle morally as well. The adoption of the nationalist axiom—that ethnic community and state should coincide—implicitly destroyed the legitimacy of the right of any non-German government to rule over German minorities, and even the legitimacy of a second independent German state like Austria. In fact, Germany's claim to act as the protector of the Germans living outside the Reich dates back to the days of the Weimar republic, and the discussions in the League of Nations bear witness to the vigor with which republican Germany asserted that claim.²⁶ Hitler had only to improve on the methods of that protection when the time seemed to be ripe to move into the vacuum of power which the peace settlement had left on Germany's southeastern flank.

No discussion of the moral implications in the principle of nationalities should fail to mention that the inextricable mixture of ethnic elements which make up the populations of central and southeastern Europe renders futile any attempt to realize the ideal of the national state. But the historical record of the postwar period, which was heralded as the fulfilment of national self-determination, makes unnecessary any further elaboration of this point. Things being what they are in Europe's zone of mixed populations, there was and can be no way of escaping the complexities of the multi-national state. To proclaim a principle which inherently denies moral validity to the multi-national state, regardless of its form of government, is therefore to destroy the only foundation upon which statesmen can build. The assertion of the unconditional right of

²⁵See Edward Hallett Carr, *Conditions of Peace* (New York 1942) pp. 52 ff.

²⁶German policy at Geneva developed along the lines which Stresemann had laid down as early as 1925 in his Memorandum to the Crown Prince. The protection of those 10 or 12 million Germans who live "under a foreign yoke in foreign lands" is stated there as one of the great tasks of German foreign policy. See *Gustav Stresemann, His Diaries, Letters and Papers*, edited and translated by Eric Sutton (New York 1935-40) vol. 2, p. 503.

each nationality to its own statehood is a disruptive, not a constructive principle. It plays havoc with the multi-national state, democratic as well as absolutist.

IV

Those who advocate the splitting up of the multi-national state into ethnically homogeneous separate states often take the position that democratic institutions cannot work where the population consists of different nationalities. John Stuart Mill, for example, declared that "Among a people without fellow-feeling, especially if they read and speak different languages, the united public opinion, necessary to the working of representative government, cannot exist."²⁷ As a statement of the fact that democratic government works best where there is common understanding among the people, the dictum is indisputable. Democracy gives free scope to the currents of public opinion. The smooth working of its governmental machinery therefore depends to a larger extent than under any other form of government upon the willingness of the people to meet one another half-way.

But ethnic differences do not necessarily exclude fellow-feeling among the citizens. And even if they did, we could hardly afford to stop at stating the fact. After all, democracy means not the mere registration of popular sentiments, but the valuation of such sentiments according to a hierarchy of ends and means. National feeling is not the only sentiment that might split and break up the democratic community. The individual's attachment to a particular religious community, political party, professional organization or social class can be as intense and emotional as his loyalty to the ethnic community to which he belongs. Still, the democratic state respects those loyalties and recognizes autonomous rights of those groups only to the extent that they are compatible with the ends which determine its own purpose and its own rights, the dignity and liberty of the human person. The same principle applies to the rights of national collectivities. They, too, are to be measured

²⁷John Stuart Mill, *Representative Government* (Everyman's Library) p. 361.

in terms of the purposes which the ethnic community serves in the human order, its service in forming and enriching the individual personality. To stretch national rights beyond the limits set by that function means to substitute for the rights of man the rights of the ethnic collectivity. Thus an unqualified principle of national self-determination is incompatible with the tenets of democracy.

The fight of the nationalities, or at least of their nationalist leaders, has often been pictured as a struggle against autocratic rulers. There was a time when there was at least some semblance of right in this interpretation, though it was not always accurate. Thus the national struggle which raged in the Austro-Hungarian monarchy was, as far as Austria proper of the constitutional era is concerned—the situation in Hungary differed essentially from that in Austria—an international struggle among the peoples rather than the fight of any of the nationalities against oppressive rulers.²⁸ The oversimplified interpretation was encouraged by the fact that the supra-national idea, which was then the very core of the Austrian conception of the state, was clothed in the form and the formulae of dynastic paternalism, whose roots were drying up under the influence of modern currents and conditions. Dynastic loyalty failed in old Austria to be a match for the centrifugal tendencies of nationalism.

Developments during the postwar period amply demonstrated, however, that the disruptive force of the principle of nationalities, taken in an absolute sense, threatens also the existence of states founded on popular sovereignty. This threat darkened the hour of victory of Czech nationalism and brought about the final downfall of independent Czechoslovakia. In fact, if it spreads further, the doctrine which puts the ideal of ethnic self-government contrary to and above the ideal of political self-government will sooner or later destroy the national coherence of any people that is united by a political belief, and break up any country where men of different ethnical origins have so far lived peacefully together in

²⁸See C. A. Macartney, *Problems of the Danube Basin* (Cambridge 1942) p. 98; also Oscar Jászi, *The Dissolution of the Habsburg Monarchy* (Chicago 1929) pp. 282-97.

accordance with and in obedience to the principles of democracy. Psychologically speaking, it is only a very short step from the feeling of being free to the feeling of being oppressed, if the attachment to universal ideas gives way to more primitive and narrow loyalties.

Nobody can reasonably expect that the nations and nationalities of central Europe will ever be ready to undergo a melting process like the one to which their emigrants, landing on the American shores as individuals, readily subject themselves. Nor do they need to. The example of Switzerland proves that democracy can work also where the ethnic groups are not pulverized, provided that the law does not discriminate among them but assures to all citizens alike the protection of life and liberty, without distinction of nationality or language; provided also that the citizens themselves do not indulge in ethnic particularism, but subordinate their racial loyalty as willingly as any other group loyalty to the political community which protects them all and can therefore also claim their allegiance. This and this alone is the explanation of the deservedly much acclaimed miracle that three different ethnical groups, branches of nations which, to put it mildly, have not always been on too friendly terms with one another, live harmoniously together within Switzerland. The Swiss example proves also that, given such an attitude on the part of both the authorities and the citizens, there is hardly any need for specific institutions—like the often suggested device of personal, cultural autonomy—to safeguard the legitimate rights of the members of the ethnical groups. As a matter of fact, if Switzerland had ever cared to associate her public institutions in one way or another with her component ethnic groups one might wonder whether she were still free from national strife.

Our Alsatian student of the principle of nationalities reports, somewhat bewildered, the answer to his inquiry among the inhabitants of Fiume as to whether the people of the town, altogether about 45,000 souls, preferred to stay with Italy or to join Yugoslavia: they would like, they answered, to form an independent state of their own.²⁰ The answer and the spirit it reveals may one day be

²⁰Redslob, *Le principe des nationalités*, p. 154.

quoted by historians in order to explain why the democratic nations of central and southeastern Europe have in our time become such an easy prey to a state employing nationalism for a policy of world conquest. They went on thinking in terms of small political units when the objective conditions called for great designs. Nor did the forces of disintegration stop working after they had once been let loose.

There is no halt on the road to complete disintegration of the political order when institutions no longer embody ideas which unite men rather than keep them apart. And there is no hope that Europe's danger zone will finally be pacified, unless democracy reasserts the universal ideas over against the principle of nationalities, its illegitimate offspring.

ADMINISTRATIVE DISCRETION AND THE RULE OF LAW¹

BY ALEXANDER H. PEKELIS

I

CURRENT discussions of the characteristics of the common law countries as contrasted with those of the so-called civil law countries emphasize the individualistic character of the former. I have undertaken elsewhere² a comparison between typical common law devices of investigation and enforcement and those commonly used in civil law countries of the Latin type. This comparison did not substantiate the current opinion. The pivotal importance for the very functioning of the Anglo-American legal system of such institutions and principles as contempt of court, duty of disclosure and the jury system, and the lack of commensurate institutions in the civil law systems, indicate, in fact, that the common law has a more collectivist character and that there is a pronounced individualism in legal institutions of the Latin type.

But the pressure of the community—the characteristic that I have tried to emphasize—is much more the pressure of the small community than that of the state, say, or of the nation as a whole. The pluricellular structure of American society, with its wide variety of different types of communities, fraternities, unions, churches, and its decentralization of social pressure, not only makes for greater specific strength but also represents, or at least until recently represented, a safety valve for the system as a whole.

The present paper is concerned not so much with the centrifugal forces of social structure as with certain typical manifestations of centripetal forces—more precisely, with the ever-widening activity

¹This article has been prepared in connection with the Graduate Faculty Research Project on "Contemporary Political and Legal Trends."

²Alexander H. Pekelis, "Legal Techniques and Political Ideologies, A Comparative Study," in *Michigan Law Review*, vol. 41, no. 4 (February 1943).

of administrative agencies operated by the central government.

Until recently all leading writers seemed to agree that the growth of administrative agencies is a phenomenon alien to the spirit and practice of the English-speaking countries. In 1886, on the very eve of the expansion of administrative agencies, two men on opposite sides of the Atlantic were writing on the problem—Albert Venn Dicey, in England, and Woodrow Wilson in this country. The former was an already famous English constitutional lawyer, with a rather Tory background; the latter a young American liberal. They wrote independently of each other, treated the problem differently, and reached different conclusions. But there was one point of agreement between them. The one speaking of the science of administration, the other speaking of administrative law, they declared: "It is a foreign science speaking very little of the language of English or American principle. It employs only foreign tongues; it utters none but what are to our minds alien ideas." "The absence from our language of any satisfactory equivalent for the expression *droit administratif* is significant: the want of a name arises at bottom from our non-recognition of the thing itself." This seems to be a single passage, written in the same spirit. But actually they are two, the first written by a man who strongly advocated, and the second by a man who vehemently opposed, the growth of administration. And even today many authoritative legal writers in this country and England still maintain that the rise of administrative agencies is a phenomenon repugnant to the spirit of the Anglo-American law. Thus we read in one of Dean Pound's writings: "Throughout the world there has been a revival of absolutism. Administrative absolutism in the United States is but one phase of a type of thought that has infected all the social sciences, has put its mark on international relations, on politics, on legislation and even on judicial decision. But are we, who have inherited a great tradition of justice, prepared to throw it over in order to fall in line with this post-war fashion of absolutism?" And his words are substantially in agreement with the outcry of Lord Chief Justice Hewart, whose book *The New Despotism* appeared in England twelve years ago.

It is safe to say that the essential objection to the activity of administrative agencies is directed against the extremely great amount of discretion with which they are entrusted. The administrative agency does not apply any fixed rule of law: it acts according to considerations of policy—of reason, of public convenience, of economic expediency, of national efficiency, of business fairness, of social progress. The fate of individuals subject to its jurisdiction depends largely on the discretion of the men who run the agency; and the individual is faced with a government by men and not with that government by law—say the critics—which is deemed to represent the very essence of the common law tradition.

But is there indeed a violation of this particular tradition? In regard to concrete legal institutions what is the actual role of discretion in the common law system, as compared with its role in the systems prevailing on the European continent? Is it true that in common law countries the administration of justice—because bound by precise and specific precedents or because closely watched by public opinion, or for other legal or political reasons—is less influenced than in the civil law countries by “administrative expediency”? To what extent is government by law a specific common law tradition inconsistent with the growth of administrative agencies?

These questions cannot be answered categorically, and studies that may furnish a basis for judgment have not yet been completed.³ But even at the present stage of analysis it is possible to say that in common law countries needs of public policy, exigencies of morality and efficiency, are taken into account in the ordinary administration of justice to an extent undreamed of on the European continent; and that the corresponding amount of discretion inherent in the system of Anglo-American law makes of its enforcement an activity much closer to what in civil law countries has been considered administrative adjudication than to what has constituted administration of justice by the ordinary continental courts. It is not possible to present here the material which appears to sub-

³See footnote 1.

stantiate this somewhat sweeping statement. But it may be at least illustrated by two typical situations: one concerning the field of contracts, the other that of crime.

II

In regard to contracts it should be remembered how far a court in common law countries may go by invoking equity doctrines in certain cases to enforce compliance, and in comparison how powerless is the civil law judge, who does not suspect the existence of contempt powers for the enforcement of substantive law duties.⁴ But the exercise of such power is always a matter of judicial discretion, never a matter of course: the social pressure is not applied in all cases, but only in some. This we might call the "selectivity principle of enforcement," its result being, among other things, that not all contractual rights are protected through the sanctions of injunction and contempt of court, but only those of litigants who live up to certain moral and social standards. Injunction is granted by the court of equity, and equitable relief is never a matter of right. Strictly speaking, in a court of equity you have no *rights* at all. Theoretically it is a matter of grace, of judicial boon. Substantially, of course, there is a fair degree of predictability as to what the court of equity will do. But the theory is kept alive, in order to maintain in a state of flux the tests that the court applies—business fairness, social desirability, public policy, perhaps even personal decency.

The situation in the court of equity has two characteristic features unknown to a European court. First, the court is not limited to the choice between granting or not granting the relief sought. It may grant a so-called conditional relief, practically rewriting the contract for the parties, saying perhaps that it will give you relief if you pay in gold instead of in greenbacks; "he who seeks equity must do equity." In the second place, a plaintiff thrown out of a court of equity is not necessarily deprived of his so-called legal remedy. His contract is bad *in equity*, he won't get the *equitable* injunction, but he may be entitled to the *remedy at law*.

⁴See Pekelis, *op. cit.*

Thus, instead of the two rigid civil law categories, according to which contracts are either valid or void, there is an interplay of law and equity which creates a considerably wider range of possibilities. There is a twilight zone of what could be styled contracts *semipleno jure*, to which belong contracts good at law and conditionally good in equity, contracts good at law and bad in equity, contracts bad at law and good in equity. A merely oral land conveyance, for example, undoubtedly and utterly void at law, may in certain cases be enforced through equitable injunction, while the same relief may sometimes be denied to a written, sealed and notarized contract.

It should not be imagined that the litigant finds himself on more solid ground when he is once out of the court of equity and confined to the remedies of a court of law. The so-called legal remedy simply represents the constitutional right to have determined by the jury, in a court of law, the amount of damages due for breach of contract. And here the ghost of the court of equity, out of which the plaintiff has just been thrown, reappears before him in the dictum that as to the assessment of damages jurors are chancellors, that is, judges of equity, enjoying, in fact though not in theory, wide discretionary powers to fix the amount of damages *ex aequo et bono*, taking into consideration every possible extra-legal element that might seem material to them, be it economic, social, political or moral. Between a six-cent verdict and the granting of compensatory or even punitive damages in the full amount claimed by the plaintiff there is a wide range of possibilities in which every element may find its free expression unchecked by the obstacles of a written opinion. Against the discretion of the jurors the party has only one hope: the judge may set aside the verdict as evidently biased or unreasonable. But this again is most certainly an absolutely discretionary power of the court.

Thus we find the plaintiff committed from the equitable discretion of the chancellor to the "equitable" verdict of the jurors, and from that to the discretion of the trial court. He can never get hold of the firm basis of a rigid law. The legal norm is everywhere carefully cushioned by judicial discretion, and as a result the plaintiff

cannot escape the slippery and uncertain ground of human discretion inspired by motives too subtle and delicate to be translated into fixed legal formulae. Government by law? Obviously not, if by that is meant "government by the certainty of law." At best, government by gentlemen.

An element of discretion is, of course, involved in every possible judicial system, and in no country at any time has justice been administered by machines of logical subsumption, distinguishing right from wrong with the cold precision of a coin-testing appliance. But the European *Rechtsstaat* was planned and organized with the very purpose of reducing the human element in the administration of justice to its imaginable minimum. The remedies for the breach of contracts—or of the single type of contract, such as sales, loans, partnership—are defined by code. The judge may exercise a certain amount of discretion in holding the contract valid or void. But if he holds the contract valid he cannot for any reason deny any of the code remedies, nor can he, if he holds it void, grant any of them. He cannot discriminate between plaintiff and plaintiff, and no middle-of-the-road position can enable him to proceed to a dosage of relief. Furthermore, the judge has no contempt power in the field of substantive law. The typical remedy consists in the award of damages, but there is never a jury in a non-criminal case, and there is nobody to strike the delicate balance between the indefinable incompleteness of right and wrong on the part of the litigants. There are no verdicts which are rendered without a statement of reasons: the judge has to write out his opinion and show the exact amount of the plaintiff's injury in dollars and cents. The less discretion, the more justice. Government by law, at least in the courts, is the ideal upon which continental institutions were carefully patterned. The highest equity was thought to be found in the rigidity and certainty of the law.

The common law, on the contrary, creates a complicated machinery to avert this rigidity. It calls this machinery equity, and sometimes tries to distinguish itself from this less noble relative. There is no chance, though, that it will rid itself of its yoke-fellow.

Thou robèd man of justice, take thy place;
And thou, his yoke-fellow of equity,
Bench by his side.

Thus spoke King Lear in the phantasmic trial of his daughters. And his insanity is probably shown only by the fact that by yoking Robèd Justice and Equity on the same bench he somewhat anticipated the English Reform of 1872.

The existence of this double legal order, and the possibilities of individualization that it is made to yield, strongly suggest that government by the certainty of law is not the reality, and indeed not even the ideal limit, toward which the Anglo-American institutions aim: it is, in a way, the main danger they try to avoid.

The same principles of selectivity, individualization and pure administrative discretion can be found in the fields of criminal law and procedure. To begin with, under the American system criminal prosecution is simply a right and never a duty of the federal or state attorney. Its exercise is wholly within the discretion of the prosecuting officers and the grand jury. In Italy even the code of 1931 did not abandon the so-called "legality principle" (as opposed to the "opportunity principle"), which makes prosecution a duty of the attorney general; in France and in Germany the prosecuting agency had but a slight degree of discretion, and this pertained to minor offenses and was subject to review by the court. Here a refusal to prosecute is not subject to any kind of judicial review. The prosecuting agency may even abandon an already initiated prosecution, or prosecute for a lesser crime. Furthermore, it may lawfully enter into the most varied kinds of agreements with the defendants, agreements ranging from the acceptance of the defendant's promise to become a witness for the prosecution to the signing of an elaborate consent decree in an anti-trust suit.⁶

⁶I should like to add that some of these so-called consent decrees, obtained by an obvious "or else" technique, represent the most interesting experiments in modern lawmaking. I am thinking particularly of the consent decree that created the network of arbitration tribunals in the moving picture industry, and of the Standard Oil consent decree that set a precedent of compulsory free licensing in the field of patents and of licensing for a "reasonable" royalty.

Although this type of discretion is apparently only a negative one—the prosecuting attorney can forbear prosecution but he cannot himself sentence a defendant—such a procedural situation might exercise a deep influence upon legislative technique. It is quite probable that the generalities, vagueness or severity of many penal statutes, such as the Mann Act, the Sherman Act or the laws concerning conspiracy, mail fraud, income disclosure and the like, could never have survived if prosecution in each case were the affirmative duty of the federal attorney. Thus the practical administration of criminal justice, at least in its negative aspect, becomes an administrative rather than a judicial activity.

In this situation judges can hardly be expected to leave the Attorney General a monopoly of discretion and of considerations of morality and policy. The very tradition of judicial lawmaking opens to them some possibilities unknown to their continental brethren. Every act which in the opinion of the court tends to public mischief—whether or not foreseen by any penal or other law—is a common law misdemeanor and must be punished as such. This rule may be of limited practical importance today, but it is worth recalling that it was applied in England as late as 1933, to a woman who “caused officers of the Metropolitan Police maintained at public expense . . . to devote their time to the investigation of false allegations, thereby temporarily depriving the public of the services of these public officers and rendering liege subjects of the King liable to suspicion.” The decision which affirmed, in the absence of any statute, the conviction for common law misdemeanor was rendered by Lord Hewart, Chief Justice, author of *The New Despotism*, mentioned above.

Many other instances of the comparative importance of the discretionary element in the field of criminal law might be added. Mention might be made of the distinction between *mala in se* and *mala prohibita* in the felony murder rule, of the power of the court—as distinguished from the jury—to gather and consider every kind of evidence without being bound by any rule of evidence. A close comparison of the relative importance of the pardoning power

would probably reveal its institutional character in common law countries. But the most characteristic manifestation of the difference in the two attitudes may be seen in the fate of the so-called positive school of criminal law.

This school, founded by Lombroso, Ferri and Garofolo, had a large following in all European countries but never succeeded in making any serious headway in the legislation of those countries. The objections of the European liberals, more or less clearly articulated, have been substantially founded on the contention that individualization of criminal justice would affect or undermine the fundamental principles of punishment by law: *nullum crimen et nulla poena sine lege*. It would reduce the business of punishment to a discretionary although scientific activity of a body which would resemble much more an administrative agency than a judicial tribunal. Among the many surprises that this country holds for a European lawyer, not the least striking is that of finding Lombroso, Ferri and Garofolo widely translated, discussed and followed by legislature, judiciary and administration. Such institutions as pardon, probation, parole and, particularly, the dreaded indeterminate sentence, have by now an unchallenged citizenship in the American penal system.

III

In brief, then, comparative investigations thus far seem to reveal that in the administration of justice the common law countries have traditionally relied upon a wide exercise of discretionary power to an incomparably greater extent than any civil law country in Europe. If the American scholar thinks that the tremendous growth of administrative agencies in this country is a development of alien origin, inspired by a civilian philosophy, the European lawyer in turn cannot help disclaiming paternity. The network of American administrative agencies created in the last fifty years represents a phenomenon which, to say the least, appears to be much less inconsistent with the actual mechanism of the common law than with the working principles of the European legal systems.

These merely theoretical remarks are substantiated by examination of the factual situation in Europe and in this country. If one were invited to cite the most typical and significant prewar American agencies one would probably name, among others, the Federal Trade Commission, the Securities and Exchange Commission, the National Labor Relations Board and, in the first line, the various public utilities commissions, from the veteran Interstate Commerce Commission to the Federal Power Commission. But in these fields democratic Europe carried out no administrative activity that could be significantly compared. No initiative-taking agency which could be mentioned as somehow comparable with the Federal Trade Commission, created here nearly three decades ago, or its predecessor, the Bureau of Corporations, organized as early as 1903, ever existed in the European democracies of the Latin type. In continental Europe the enforcement of the laws and of international conventions concerning unfair competition has been left almost entirely to private initiative, which has meant, of course, a nullification of any protection for the non-organized consumer or the small businessman.

Various bureaus, either independent or integrated in the treasuries or national banks of the various European countries, could be considered a counterpart of the American Securities and Exchange Commission. But none of them ever had the power or the importance of that body. In regard to France, for example, it must be acknowledged that stock speculation and stock frauds have for many decades been responsible for a great number of panics and crises, that *scandales de bourse* became an almost traditional feature of the Stock Exchange of Paris, that the Panama bubble had economic consequences comparable with those of the Black Friday of 1929 and a political and emotional significance at least equal to that of the latter event. But no effective measure to check the situation was ever taken. Whatever the economic and social causes that frustrated every attempt at control in France (and the same forces were fairly active in this country as well), the formalistic political and legal ideologies of the progressive groups in Europe rendered

enormously difficult the introduction of efficient regulation. The Securities and Exchange Commission, on the other hand, was preceded by more than twenty years of experimental Blue Sky legislation, a typical American device. The early Kansas Statute of 1911, for example, is much more penetrating and rigorous than anything attempted even during the postwar booms and depressions in Europe.

A comparison between the American and the European techniques in dealing with public utilities is especially enlightening. That the system of administrative controls in this field is particularly developed in the United States is generally admitted. But it is held that the European phenomenon of public ownership of such services is the counterpart of public utility control, and it is usually implied that public ownership represents a much stronger and more complete form of public control of business. It may well be, however, that this is true only with very important qualifications. Public ownership of business, while a direct intervention of the state in economic life, is only an indirect form of control of private business. It should be investigated whether the necessity for the state to enter business directly was not, at least in certain cases, due to the administrative difficulty of regulating other people's business. To go into business, to invest money, to run all the risks and difficulties, is from a sociological and psychological viewpoint quite a different matter from compelling the independent and private owners of an enterprise to run it according to public criteria.

It happens sometimes that a weak person must turn to stronger measures than a strong one, and the necessity to expropriate a business instead of regulating it may have its cause in the lack of a strong and efficient administrative machinery, or of a public opinion willing to accept and to back the penetrating public control that this type of regulation involves. Indeed, it takes much more social pressure to determine the business conduct of an entrepreneur who maintains a certain degree of independence than to buy him out and transform him into a salaried employee.

The history of regulation of public utilities in this country is,

as everyone knows, a history of economic abuses, political corruption, administrative inefficiency and judicial blindness. But through all the uncertainties, inconsistencies and deviations from sound economic policy and simple business fairness and commonsense, an impressive and unique experiment has been accomplished and an extraordinary stock of experience accumulated. The public service commissions are today doing most interesting work in the field of setting public standards of rate fixing. Theirs is probably the first quantitatively important planning experiment in our type of society, and it represents a unique wealth of case material for the theoretical problem of the price function in a planned economy. The once narrow concept of public utility has in the last decade undergone a deep change and has been merged into a broader concept having practically an all-embracing meaning. The technique of regulation—in contrast to public ownership—has transcended the scope of administrative law and become an alternative to the apparently inescapable choice between competitive waste and state capitalism or state collectivism. One can hardly overestimate the political importance of this technique if it proves itself able to reconcile the profit incentive of individual inventiveness with the furtherance of social aims of larger production and wider distribution. And the most progressive trend in the field of public service commission policies seems to reduce profit to a function of the social performance accomplished by the enterprise.

The greater extension of the scope of administrative activity in the United States, and its deeper regulatory effect, have in my opinion been made possible by what I should call the three main, original and traditional characteristics of the Anglo-American legal technique. This technique has traditionally relied upon the possibility of acting *in personam* in order to obtain a certain standard of personal behavior; upon the sweeping, penetrating and generally felt duty of disclosure; and upon the wise exercise of broad discretionary powers.* On the whole American administration is always ready to cope with the most complicated and intimate aspects of

*The first two aspects are discussed in Pekelis, *op. cit.*

private life, business or personal, and is backed by a strong public opinion in its expectation of substantial disclosure and substantial compliance.

In a difficult or delicate situation a European democratic government, with the help of extremely able legislative drafting committees, would engage in the pursuit of a perfect statute that would foresee, classify and properly regulate in advance every possible case. In this country reliance is placed mostly on the commonsense, decency and skill that every magistrate, be he judge or administrator, is expected to evidence in the handling of individual cases, each of which stands upon its own merits.

If we are right in seeing in this expectation the typical attitude of the Anglo-Saxon democracies, the contention that the growth of administrative action is inconsistent with common law tradition represents no more than one of those false issues that so often becloud the real ones. One of these real issues probably turns around the expansion of official initiative in the enforcement of individual rights. Long before the creation of the National Commission of Railroads, one of the oldest federal agencies, a private party could obtain from the courts protection against the exaction of unjust rates charged in the exercise of a common calling, against deceitful trade practices, against combinations in restraint of trade, against misrepresentations in the sale of shares and bonds, and even perhaps against the violation of certain labor laws. What makes for the peculiarity of the administrative activity is that instead of possessing only a "cause of action" the individual competitor, consumer, investor or worker has now a *negotiorum gestor*, a public agency that does the court job for him. This probably means that the type of civil litigation which has hitherto been regarded as fundamental is daily losing its importance. We may witness a phenomenon not dissimilar to that experienced by England in the formative period of criminal procedure, when individual criminal prosecution by the so-called personal appeal was gradually superseded by administrative initiative in the punishment of crimes, exercised by the presentment jury and the coroner.

IV

On the other side of the ocean liberal civilian lawyers took the stand for the *Rechtsstaat*, the *stato di diritto*, the supremacy of legal certainty, against the rising discretion of totalitarian administration, making of this doctrine an ideological weapon. We learned, believed and taught that certainty, clarity and normativity are the only ideals toward which a legal system can strive. We asked the state to conform with the Kantian categorical imperative and act in such a way that the maxim of each of its actions could become a universal law. In our distrust of government, bureaucracy and the discretion of judges and administrators we engaged in the pursuit of that legal bluebird, the perfect law in the form of the perfect statute, which would assure the functioning of a justice independent of human whims. We saw the totalitarian parties, first, and then the totalitarian governments, destroy little by little the perfect machine of legality we were building, or at least thought we were building. And we defended it stubbornly, and were satisfied that we were accomplishing a socially, morally and politically useful mission.

When we European liberals were first faced with the dispute between the American liberals and the American conservatives concerning the questions of administrative law and administrative discretion, the first impulse of many of us was to tell the American liberals of our European experience, to warn them against the inherent dangers of the rise of administrative discretion, and to tell them that we could vouch for the truth of the stand of the American conservatives. But a more careful consideration of Anglo-American legal history and a little more thorough investigation of the real tradition of these countries should have convinced us that with them the so-called "administrative despotism" is anything but new, that administrative discretion through the government by unwritten law is centuries old among English-speaking peoples. Moreover, candor required us to compare the record of these peoples with our own political and social record. And we could not help finding that notwithstanding the striking amount of discretion—the lack of legal certainty, Cartesian clarity or Kantian normativity—civil

and political liberties have been protected in the English-speaking countries not less but more than in our *Rechtsstaat* countries, and that people on the whole are certainly not less happy there than those on our side of the water.

We began to ask ourselves whether the success of the totalitarian parties in Europe could not be largely explained by our strict belief in the ideal of government by law, with which we kept faith even when we had control of administration; whether the voluntary renunciation of any investigation going beyond legal formulae, the lack of selectivity in enforcement and prosecution, the reluctance to solve legal problems by moral distinctions, did not deprive the European democracies of strength and efficiency; whether in our belief in the overwhelming importance of perfect legislation we did not neglect fundamental social problems, such as the positive political education of individuals and the creation of an efficient system of recruitment and remuneration of judges and administrators; whether, in short, for the sake of preserving certain ideals we we did not make their very defense impossible.

On the other hand, should we, for the necessity of defending it, destroy the very object of our defense; should we, for the sake of life, lose the reasons for living—*propter vitam vivendi perdere causas*? Is this the final deadlock of legal philosophy? Today this is much more than the problem of a *Rechtsstaat* lawyer's adjustment to the common law background. We have seen in the pluricellular structure of American society and government one of the safety valves that compensates the strength of social pressure, of which discretion and administrative power are but a manifestation. This pluralistic structure would probably not have been possible in the English-speaking countries without the British splendid isolation and the American two-ocean security. The isolation and the security are rapidly vanishing. Under a new external pressure the safety valve of loose-knit relations disappears; a more compact, a centralized, a new state looms. What is the new solution going to be?

In the exercise of discretionary powers the American administrative agencies have gathered and are daily building up mountains

of case material. The transformation of this into case *law*—and into law *tout court*—requires great constructive imagination. Every discretionary activity yields after a certain period of time a set of more or less intelligible rules. To produce a rather vague equity law England required centuries. Are we going to wait that long before we form intelligible law out of modern administrative activity? The question before us is not whether we should go back to the rules of, say, a Court of Common Pleas in order to escape the new discretion of administrators. The question is how fast and how well we are going to extract from our new fact material a new law; how soon we are going to create new legal standards and ideas that will fit into our changed economic and social system as well as the ideas of contract, property, claims, debt and the like fitted into the society that created them.

What these new concepts are I do not know. But I do know that, for example, "lease-lend" does not fit within the obligation concept; that "fair return on fair value" does not fit into the enterprise idea; that the category of "needs" is susceptible of no less important legal developments than that of "rights" or "claims" proved to be. The alternative "discretion or rule" means for too many a choice between a new lawlessness and the old rules. A better answer might be: let us go to work and produce from the new facts a new rule, a new law.

After all, the relation between discretion and rules is like that between thoughts and words. Words never express thoughts entirely; moreover, old words often bar the way to new thought. But the solution is not to do away with words, to substitute "pure thought" for expressed thought, "pure equity" for articulated justice. In struggling for new expression the thought itself finds newer and higher levels. The relation between discretion and rule is not static. It is a living and perpetually renewed relation between creator and creature. To bring this relation into the full light of political consciousness is the lawyer's task today.

FUNCTIONAL FINANCE AND THE FEDERAL DEBT

BY ABBA P. LERNER

A PART from the necessity of winning the war, there is no task facing society today so important as the elimination of economic insecurity. If we fail in this after the war the present threat to democratic civilization will arise again. It is therefore essential that we grapple with this problem even if it involves a little careful thinking and even if the thought proves somewhat contrary to our preconceptions.

In recent years the principles by which appropriate government action can maintain prosperity have been adequately developed, but the proponents of the new principles have either not seen their full logical implications or shown an over-solicitousness which caused them to try to save the public from the necessary mental exercise. This has worked like a boomerang. Many of our publicly minded men who have come to see that deficit spending actually works still oppose the permanent maintenance of prosperity because in their failure to see *how* it all works they are easily frightened by fairy tales of terrible consequences.

I

As formulated by Alvin Hansen and others who have developed and popularized it, the new fiscal theory (which was first put forward in substantially complete form by J. M. Keynes in England) sounds a little less novel and absurd to our preconditioned ears than it does when presented in its simplest and most logical form, with all the unorthodox implications expressly formulated. In some cases the less shocking formulation may be intentional, as a tactical device to gain serious attention. In other cases it is due not to a desire to sugar the pill but to the fact that the writers them-

selves have not seen all the unorthodox implications—perhaps subconsciously compromising with their own orthodox education. But now it is these compromises that are under fire. Now more than ever it is necessary to pose the theorems in the purest form. Only thus will it be possible to clear the air of objections which really are concerned with awkwardnesses that appear only when the new theory is forced into the old theoretical framework.

Fundamentally the new theory, like almost every important discovery, is extremely simple. Indeed it is this simplicity which makes the public suspect it as too slick. Even learned professors who find it hard to abandon ingrained habits of thought have complained that it is “merely logical” when they could find no flaw in it. What progress the theory has made so far has been achieved not by simplifying it but by dressing it up to make it more complicated and accompanying the presentation with impressive but irrelevant statistics.

The central idea is that government fiscal policy, its spending and taxing, its borrowing and repayment of loans, its issue of new money and its withdrawal of money, shall all be undertaken with an eye only to the *results* of these actions on the economy and not to any established traditional doctrine about what is sound or unsound. This principle of judging only by *effects* has been applied in many other fields of human activity, where it is known as the method of science as opposed to scholasticism. The principle of judging fiscal measures by the way they work or function in the economy we may call *Functional Finance*.

The first financial responsibility of the government (since nobody else can undertake that responsibility) is to keep the total rate of spending in the country on goods and services neither greater nor less than that rate which at the current prices would buy all the goods that it is possible to produce. If total spending is allowed to go above this there will be inflation, and if it is allowed to go below this there will be unemployment. The government can increase total spending by spending more itself or by reducing taxes so that the taxpayers have more money left to spend. It can reduce

total spending by spending less itself or by raising taxes so that taxpayers have less money left to spend. By these means total spending can be kept at the required level, where it will be enough to buy the goods that can be produced by all who want to work, and yet not enough to bring inflation by demanding (at current prices) *more* than can be produced.

In applying this first law of Functional Finance, the government may find itself collecting more in taxes than it is spending, or spending more than it collects in taxes. In the former case it can keep the difference in its coffers or use it to repay some of the national debt, and in the latter case it would have to provide the difference by borrowing or printing money. In neither case should the government feel that there is anything especially good or bad about this result; it should merely concentrate on keeping the total rate of spending neither too small nor too great, in this way preventing both unemployment and inflation.

An interesting, and to many a shocking, corollary is that taxing is *never* to be undertaken merely because the government needs to make money payments. According to the principles of Functional Finance, taxation must be judged only by its effects. Its main effects are two: the taxpayer has less money left to spend and the government has more money. The second effect can be brought about so much more easily by printing the money that only the first effect is significant. Taxation should therefore be imposed only when it is desirable that the taxpayers shall have less money to spend, for example, when they would otherwise spend enough to bring about inflation.

The second law of Functional Finance is that the government should borrow money only if it is desirable that the public should have less money and more government bonds, for these are the *effects* of government borrowing. This might be desirable if otherwise the rate of interest would be reduced too low (by attempts on the part of the holders of the cash to lend it out) and induce too much investment, thus bringing about inflation. Conversely, the government should lend money (or repay some of its debt) only

if it is desirable to increase the money or to reduce the quantity of government bonds in the hands of the public. When taxing, spending, borrowing and lending (or repaying loans) are governed by the principles of Functional Finance, any excess of money outlays over money revenues, if it cannot be met out of money hoards, must be met by printing new money, and any excess of revenues over outlays can be destroyed or used to replenish hoards.

The almost instinctive revulsion that we have to the idea of printing money, and the tendency to identify it with inflation, can be overcome if we calm ourselves and take note that this printing does not affect the amount of money *spent*. That is regulated by the first law of Functional Finance, which refers especially to inflation and unemployment. The printing of money takes place only when it is needed to implement Functional Finance in spending or lending (or repayment of government debt).¹

In brief, Functional Finance rejects completely the traditional doctrines of "sound finance" and the principle of trying to balance the budget over a solar year or any other arbitrary period. In their place it prescribes: first, the adjustment of total spending (by everybody in the economy, including the government) in order to eliminate both unemployment and inflation, using government spending when total spending is too low and taxation when total spending is too high; second, the adjustment of public holdings of money and of government bonds, by government borrowing or debt repayment, in order to achieve the rate of interest which results in the most desirable level of investment; and, third, the printing, hoarding or destruction of money as needed for carrying out the first two parts of the program.

II

In judging the formulations of economists on this subject it is difficult to distinguish between tact in smoothing over the more stag-

¹Borrowing money from the banks, on conditions which permit the banks to issue new credit money based on their additional holdings of government securities, must be considered for our purpose as printing money. In effect the banks are acting as agents for the government in issuing credit or bank money.

gering statements of Functional Finance and insufficient clarity on the part of those who do not fully realize the extremes that are implied in their relatively orthodox formulations. First there were the pump-primers, whose argument was that the government merely had to get things going and then the economy could go on by itself. There are very few pump-primers left now. A formula similar in some ways to pump-priming was developed by Scandinavian economists in terms of a series of cyclical, capital and other special budgets which had to be balanced not annually but over longer periods. Like the pump-priming formula it fails because there is no reason for supposing that the spending and taxation policy which maintains full employment and prevents inflation must necessarily balance the budget over a decade any more than during a year or at the end of each fortnight.

As soon as this was seen—the lack of any guarantee that the maintenance of prosperity would permit the budget to be balanced even over longer periods—it had to be recognized that the result might be a continually increasing national debt (if the additional spending were provided by the government's borrowing of the money and not by printing the excess of its spending over its tax revenues). At this point two things should have been made clear: first, that this possibility presented no danger to society, no matter what unimaginable heights the national debt might reach, so long as Functional Finance maintained the proper level of total demand for current output; and second (though this is much less important), that there is an automatic tendency for the budget to be balanced in the long run as a *result* of the application of Functional Finance, even if there is no place for the *principle* of balancing the budget. No matter how much interest has to be paid on the debt, taxation must not be applied unless it is necessary to keep spending down to prevent inflation. The interest can be paid by borrowing still more.

As long as the public is willing to keep on lending to the government there is no difficulty, no matter how many zeros are added to the national debt. If the public becomes reluctant to keep on lend-

ing, it must either hoard the money or spend it. If the public hoards, the government can print the money to meet its interest and other obligations, and the only effect is that the public holds government currency instead of government bonds and the government is saved the trouble of making interest payments. If the public spends, this will increase the rate of total spending so that it will not be necessary for the government to borrow for this purpose; and if the rate of spending becomes too great, *then* is the time to tax to prevent inflation. The proceeds can then be used to pay interest and repay government debt. In every case Functional Finance provides a simple, quasi-automatic response.

But either this was not seen clearly or it was considered too shocking or too logical to be told to the public. Instead it was argued, for example by Alvin Hansen, that as long as there is a reasonable ratio between national income and debt, the interest payment on the national debt can easily come from taxes paid out of the increased national income created by the deficit financing.

This unnecessary "appeasement" opened the way to an extremely effective opposition to Functional Finance. Even men who have a clear understanding of the mechanism whereby government spending in times of depression can increase the national income by several times the amount laid out by the government, and who understand perfectly well that the national debt, when it is not owed to other nations, is not a burden on the nation in the same way as an individual's debt to other individuals is a burden on the individual, have come out strongly against "deficit spending."² It has been argued that "it would be impossible to devise a program better adapted to the systematic undermining of the private-enterprise system and the hastening of the final catastrophe than 'deficit spending.'"³

These objections are based on the recognition that although every dollar spent by the government may create several dollars of

²An excellent example of this is the persuasive article by John T. Flynn in *Harper's Magazine* for July 1942.

³Flynn, *ibid.*

income in the course of the next year or two, the effects then disappear. From this it follows that if the national income is to be maintained at a high level the government has to keep up its contribution to spending for as long as private spending is insufficient by itself to provide full employment. This might mean an indefinite continuation of government support to spending (though not necessarily at an increasing rate); and if, as the "appeasement" formulation suggests, all this spending comes out of borrowing, the debt will keep on growing until it is no longer in a "reasonable" ratio to income.

This leads to the crux of the argument. If the interest on the debt must be raised out of taxes (again an assumption that is unchallenged by the "appeasement" formulation) it will in time constitute an important fraction of the national income. The very high income tax necessary to collect this amount of money and pay it to the holders of government bonds will discourage risky private investment, by so reducing the net return on it that the investor is not compensated for the risk of losing his capital. This will make it necessary for the government to undertake still more deficit financing to keep up the level of income and employment. Still heavier taxation will then be necessary to pay the interest on the growing debt—until the burden of taxation is so crushing that private investment becomes unprofitable, and the private enterprise economy collapses. Private firms and corporations will all be bankrupted by the taxes, and the government will have to take over all industry.

This argument is not new. The identical calamities, although they are now receiving much more attention than usual, were promised when the first income tax law of one penny in the pound was proposed. All this only makes it more important to evaluate the significance of the argument.

III

There are four major errors in the argument against deficit spending, four reasons why its apparent conclusiveness is only illusory.

In the first place, the same high income tax that reduces the return on the investment is deductible for the loss that is incurred if the investment turns out a failure. As a result of this the *net* return on the risk of loss is unaffected by the income tax rate, no matter how high that may be. Consider an investor in the \$50,000-a-year income class who has accumulated \$10,000 to invest. At 6 percent this would yield \$600, but after paying income tax on this addition to his income at 60 cents in the dollar he would have only \$240 left. It is argued, therefore, that he would not invest because this is insufficient compensation for the risk of losing \$10,000. This argument forgets that if the \$10,000 is all lost, the net loss to the investor, after he has deducted his income tax allowance, will be only \$4,000, and the rate of return on the amount he actually risks is still exactly 6 percent; \$240 is 6 percent of \$4,000. The effect of the income tax is to make the rich man act as a kind of agent working for society on commission. He receives only a part of the return on the investment, but he loses only a part of the money that is invested. Any investment that was worth undertaking in the absence of the income tax is still worth undertaking.

Of course, this correction of the argument is strictly true only where 100 percent of the loss is deductible from taxable income, where relief from taxation occurs at the same rate as the tax on returns. There is a good case against certain limitations on permissible deduction from the income tax base for losses incurred, but that is another story. Something of the argument remains, too, if the loss would put the taxpayer into a lower income tax bracket, where the rebate (and the tax) is at a lower rate. There would then be some reduction in the net return as compared with the potential net loss. But this would apply only to such investments as are large enough to threaten to impoverish the investor if they fail. It was for the express purpose of dealing with this problem that the corporation was devised, making it possible for many individuals to combine and undertake risky enterprises without any one person having to risk all his fortune on one venture. But quite apart from corporate investment, this problem would be met almost entirely

if the maximum rate of income tax were reached at a relatively low level, say at \$25,000 a year (low, that is, from the point of view of the rich men who are the supposed source of risk capital). Even if all income in excess of \$25,000 were taxed at 90 percent there would be no discouragement in the investment of any part of income over this level. True, the net return, after payment of tax, would be only one-tenth of the nominal interest payments, but the amount risked by the investors would also be only ten percent of the actual capital invested, and therefore the net return on the capital actually risked by the investor would be unaffected.

In the second place, this argument against deficit spending in time of depression would be indefensible even if the harm done by debt were as great as has been suggested. It must be remembered that spending by the government increases the *real* national income of goods and services by several times the amount spent by the government, and that the burden is measured not by the amount of the interest payments but only by the inconveniences involved in the process of transferring the money from the taxpayers to the bondholders. Therefore objecting to deficit spending is like arguing that if you are offered a job when out of work on the condition that you promise to pay your wife interest on a part of the money earned (or that your wife pay it to you) it would be wiser to continue to be unemployed, because in time you will be owing your wife a great deal of money (or she will be owing it to you), and this might cause matrimonial difficulties in the future. Even if the interest payments were really lost to society, instead of being merely transferred within the society, they would come to much less than the loss through permitting unemployment to continue. That loss would be several times as great as the *capital* on which these interest payments have to be made.

In the third place, there is no good reason for supposing that the government would have to raise all the interest on the national debt by current taxes. We have seen that Functional Finance permits taxation only when the *direct* effect of the tax is in the social interest, as when it prevents excessive spending or excessive invest-

ment which would bring about inflation. If taxes imposed to prevent inflation do not result in sufficient proceeds, the interest on the debt can be met by borrowing or printing the money. There is no risk of inflation from this, because if there were such a risk a greater amount would have to be collected in taxes.

This means that the absolute size of the national debt does not matter at all, and that however large the interest payments that have to be made, these do not constitute any burden upon society as a whole. A completely fantastic exaggeration may illustrate the point. Suppose the national debt reaches the stupendous total of ten thousand billion dollars (that is, ten trillion, \$10,000,000,000,000), so that the interest on it is 300 billion a year. Suppose the real national income of goods and services which can be produced by the economy when fully employed is 150 billion. The interest alone, therefore, comes to twice the real national income. There is no doubt that a debt of this size would be called "unreasonable." But even in this fantastic case the payment of the interest constitutes no burden on society. Although the real income is only 150 billion dollars the money income is 450 billion—150 billion in income from the production of goods and services and 300 billion in income from ownership of the government bonds which constitute the national debt. Of this money income of 450 billion, 300 billion has to be collected in taxes by the government for interest payments (if 10 trillion is the legal debt limit), but after payment of these taxes there remains 150 billion dollars in the hands of the taxpayers, and this is enough to pay for all the goods and services that the economy can produce. Indeed it would do the public no good to have any more money left after tax payments, because if it spent more than 150 billion dollars it would merely be raising the prices of the goods bought. It would not be able to obtain more goods to consume than the country is able to produce.

Of course this illustration must not be taken to imply that a debt of this size is at all likely to come about as a result of the application of Functional Finance. As will be shown below, there is a natural tendency for the national debt to stop growing long before it comes

anywhere near the astronomical figures that we have been playing with.

The unfounded assumption that current interest on the debt must be collected in taxes springs from the idea that the debt must be kept in a "reasonable" or "manageable" ratio to income (whatever that may be). If this restriction is accepted, *borrowing* to pay the interest is eliminated as soon as the limit of "reasonableness" is reached, and if we further rule out, as an indecent thought, the possibility of *printing* the money, there remains only the possibility of raising the interest payments by taxes. Fortunately there is no need to assume these limitations so long as Functional Finance is on guard against inflation, for it is the fear of inflation which is the only rational basis for suspicion of the printing of money.

Finally, there is no reason for assuming that, as a result of the continued application of Functional Finance to maintain full employment, the government must always be borrowing more money and increasing the national debt. There are a number of reasons for this.

First, full employment *can* be maintained by printing the money needed for it, and this does not increase the debt at all. It is probably advisable, however, to allow debt and money to increase together in a certain balance, as long as one or the other has to increase.

Second, since one of the greatest deterrents to private investment is the fear that the depression will come before the investment has paid for itself, the guarantee of permanent full employment will make private investment much more attractive, once investors have got over their suspicions of the new procedure. The greater private investment will diminish the need for deficit spending.

Third, as the national debt increases, and with it the sum of private wealth, there will be an increasingly yield from taxes on higher incomes and inheritances, even if the tax rates are unchanged. These higher tax payments do not represent reductions of spending by the taxpayers. Therefore the government does not have to use these proceeds to maintain the requisite rate of spending, and it can devote them to paying the interest on the national debt.

Fourth, as the national debt increases it acts as a self-equilibrating force, gradually diminishing the further need for its growth and finally reaching an equilibrium level where its tendency to grow comes completely to an end. The greater the national debt the greater is the quantity of private wealth. The reason for this is simply that for every dollar of debt owed by the government there is a private creditor who owns the government obligations (possibly through a corporation in which he has shares), and who regards these obligations as part of his private fortune. The greater the private fortunes the less is the incentive to add to them by saving out of current income. As current saving is thus discouraged by the great accumulation of past savings, spending out of current income increases (since spending is the only alternative to saving income). This increase in private spending makes it less necessary for the government to undertake deficit financing to keep total spending at the level which provides full employment. When the government debt has become so great that private spending is enough to provide the total spending needed for full employment, there is no need for any deficit financing by the government, the budget is balanced and the national debt automatically stops growing. The size of this equilibrium level of debt depends on many things. It can only be guessed at, and in the very roughest manner. My guess is that it is between 100 and 300 billion dollars. Since the level is a result and not a principle of Functional Finance the latitude of such a guess does not matter; it is not needed for the application of the laws of Functional Finance.

Fifth, if for any reason the government does not wish to see private property grow too much (whether in the form of government bonds or otherwise) it can check this by taxing the rich instead of borrowing from them, in its program of financing government spending to maintain full employment. The rich will not reduce their spending significantly, and thus the effects on the economy, apart from the smaller debt, will be the same as if the money had been borrowed from them. By this means the debt can be reduced to any desired level and kept there.

The answers to the argument against deficit spending may thus be summarized as follows:

The national debt does not have to keep on increasing;

Even if the national debt does grow, the interest on it does not have to be raised out of current taxes;

Even if the interest on the debt is raised out of current taxes, these taxes constitute only the interest on only a fraction of the benefit enjoyed from the government spending, and are not lost to the nation but are merely transferred from taxpayers to bondholders;

High income taxes need not discourage investment, because appropriate deductions for losses can diminish the capital actually risked by the investor in the same proportion as his net income from the investment is reduced.

IV

If the propositions of Functional Finance were put forward without fear of appearing too logical, criticisms like those discussed above would not be as popular as they now are, and it would not be necessary to defend Functional Finance from its friends. An especially embarrassing task arises from the claim that Functional Finance (or deficit financing, as it is frequently but unsatisfactorily called) is primarily a defense of private enterprise. In the attempt to gain popularity for Functional Finance, it has been given other names and declared to be essentially directed toward saving private enterprise. I myself have sinned similarly in previous writings in identifying it with democracy,⁴ thus joining the army of salesmen who wrap up their wares in the flag and tie anything they have to sell to victory or morale.

Functional Finance is not especially related to democracy or to private enterprise. It is applicable to a communist society just as well as to a fascist society or a democratic society. It is applicable to any society in which money is used as an important element in the economic mechanism. It consists of the simple principle of

⁴In "Total Democracy and Full Employment," *Social Change* (May 1941).

giving up our preconceptions of what is proper or sound or traditional, of what "is done," and instead considering the *functions* performed in the economy by government taxing and spending and borrowing and lending. It means using these instruments simply as instruments, and not as magic charms that will cause mysterious hurt if they are manipulated by the wrong people or without due reverence for tradition. Like any other mechanism, Functional Finance will work no matter who pulls the levers. Its relationship to democracy and free enterprise consists simply in the fact that if the people who believe in these things will not use Functional Finance, they will stand no chance in the long run against others who will.

THE SHIPPING PROBLEM AT THE END OF THE WAR¹

BY KURT LACHMANN

I

BLOCKADE and counter-blockade are affecting world shipping to a larger extent now than during the First World War. The participation of Japan and Italy on the side of Germany has increased the area of operations. The large-scale military expeditions in the Mediterranean and throughout the Pacific have inflicted much heavier losses upon the Italian and Japanese merchant fleets than last time. Greater losses have been sustained also by the Norwegian, the Dutch and the Greek fleets. To the submarine, the mine and the surface raider has been added the threat of the long-range plane. On the other hand, the increased means of attack have been countered by new measures of protection which, as in the last war, lead gradually to a circumscription of the danger.

Though it may seem at first glance that global warfare would leave a tremendous shortage of ships at its cessation, a closer study reveals a very different picture. What matters in regard to the situation at the end of the war is the overall profit and loss account of ships sunk and ships built. World tonnage in 1939 totaled 68.5 million gross tons or, if we leave aside vessels under 2,000 tons and those employed on the Great Lakes, 55.7 million gross tons of ocean-going ships. Before the war about 2.7 million tons of British and 1.7 million tons of United States vessels were idle or laid up.²

A study of the available data and of a large number of estimates, the details of which are explained in the Appendix to this article,

¹This article has been prepared in connection with the Peace Research Project of the Graduate Faculty.

²See "The Shipping Problem and American Aid," in *Bulletin of International News*, vol. 18, no. 18 (September 6, 1941); and A. E. Sanderson, "Shipping Losses—Today's Problem," in *Foreign Commerce Weekly*, vol. 2, no. 1 (January 4, 1941).

gives the following balance sheet of losses and launchings (in thousands of gross tons). These figures are not intended to be more than an indication of probable magnitudes.

<i>Period</i>	<i>Losses</i>	<i>Launchings</i>	<i>Net Change</i>
7/1/39 to			
12/31/40	7,290	3,000	-4,290
1941	7,180	2,760	-4,420
1942	11,000	8,800	-2,300
1943	8,500	14,200	+5,700

According to these estimates the total net loss at the end of 1943 will be 5.3 million gross tons. Thus if the war should cease at that time, the net loss would amount to about 9.5 percent of the prewar ocean-going world tonnage, or to one-half the product of the United States shipbuilding program scheduled for 1943. If the war were to last through 1944 the net loss would be reduced to an insignificant figure. Since the momentum of wartime construction is likely to carry the shipbuilding effort over the year of the Armistice, the complete replacement of overall losses may be expected during the first year following the end of hostilities. It is true that there will be a shortage of special types of ships the construction of which has been stopped during the war—including perhaps a shortage of passenger ships, since the liners converted into troopships and auxiliary cruisers are not being replaced at present. In addition, a considerable part of world tonnage will be over-age and in need of replacement.³ But with these reservations it can be expected that the pre-war supply of merchant tonnage will have been restored during the year following the end of hostilities.

How does this expectation compare with experience in the last war? Total losses from war action amounted then to 13.2 million gross tons. The world merchant tonnage stood at 49 million tons at the beginning of the war and at 50.9 million in the middle of 1919, though there remained a shortage of passenger ships through the period during which troops were repatriated.⁴

³See Hans Groner, "The War and the Future Shipping Situation," in *New Europe*, vol. 1, no. 12 (November 1941).

⁴J. A. Salter, *Allied Shipping Control* (Oxford 1921) Document 15.

More significant, however, are the disproportionalities produced by the war. The demands of war had expanded the world ship-building capacity from 3.5 to nearly 8.5 million tons, but after the immediate postwar boom it was not until 1938, the eve of the Second World War, that more than a 3 million ton capacity could be used. In 1919 launchings amounted to 7.1 million gross tons, and they totaled 5.9 and 4.3 million, respectively, in the two following years, so that world merchant tonnage stood at 65 million tons by 1923. But after 1921 the trend was downward. The low point of the twenties was reached in 1923 and 1926, with 1.6 million, and the low point of the thirties in 1933, with 0.5 million tons. Laid-up tonnage reached 6 million in 1925 and 10 million in 1927. By 1925 only 2.2 percent of United States capacity was employed.⁵

Whereas Germany, the Netherlands, Denmark, Norway and Belgium attained their maximum output in 1938, and Japan in 1937, Great Britain and the United States had by then greatly reduced their capacities, and even so were making only partial use of them. The reconstruction scheme of the great depression had brought down the capacity of British yards from 3 to 2 million tons a year.⁶ In the United States the number of private shipyards capable of building ocean-going vessels had sunk to 10, with 46 ways; now there are more than 60, with 275 ways.⁷

So far back as the Boer war it became clear that transoceanic warfare is likely to lead to an overexpansion of shipbuilding, which by its own momentum is carried beyond the end of hostilities. Single nations may benefit from the changes, as Germany (Hapag) did during and after the Russo-Japanese war,⁸ or as Japan and Italy did after the First World War. On the whole, however, shipping is due to suffer from the disequilibrium caused by war. The short wars between Waterloo and Serajevo produced relatively

⁵League of Nations, International Economic Conference, Geneva, May 1927, *Shipbuilding*, pp. 7, 11, 40 ff.

⁶*Economist*, December 12, 1939, p. 430.

⁷See reports by Admiral E. S. Land in *New York Times*, December 29, 1941, and September 26, 1942.

⁸Stubmann, "Die Seewirtschaft," in *Europas Volkswirtschaft* (Frankfurt 1925, Supplement to *Frankfurter Zeitung*).

short dislocations, and the general advance of production and trade helped decisively in overcoming the difficulties. Not so after the war of 1914-18. In eleven out of eighteen postwar years the volume of overseas shipments was smaller than in 1913.⁹ This diminution in cargoes, added to the overproduction of ships, caused a long and severe crisis in shipping and shipbuilding.

As was remarked in the report of the League of Nations inquiry of 1927, overproduction was accentuated by the building of national fleets in or for the United States and Australia: "At the time of the Armistice, 533 vessels had been delivered [to the American emergency fleet], and it was decided to continue the work of construction to provide for the carriage of American goods in American bottoms. Nevertheless, extensive cancellations were effected and the original program was reduced by 25 percent. . . . From the year 1920 onwards, when about 720 steel vessels lay inactive, the program was rapidly curtailed, and the last completed vessel was delivered on May 9, 1922."¹⁰ Another contributing factor, not mentioned in the League of Nations analysis, was the stipulation of the Treaty of Versailles which forced Germany to build 200,000 tons annually for five years.¹¹ Before they were completed the cost price of American-built ships had sunk from more than \$200 per ton to less than \$30.¹²

⁹See Statistisches Reichsamt, *Statistisches Handbuch der Weltwirtschaft* (Berlin 1936) p. 545, and *Statistisches Jahrbuch für das Deutsche Reich 1938*, p. 126. The figures, which pertain to the traffic in 122 bulk commodities, constituting about 85 percent of total overseas trade, are as follows (in millions of metric tons):

1913	213.3	1924	222.2	1929	252.8	1934	187.9
1920	147.1	1925	202.2	1930	232.9	1935	191.3
1921	137.4	1926	189.1	1931	200.7	1936	192.4
1922	201.3	1927	234.0	1932	176.3	1937	215.9
1923	222.9	1928	235.8	1933	176.1		

¹⁰League of Nations, *op. cit.*, p. 10.

¹¹Germany was bound to deliver all ships above 1,600 gross tons, half of all ships between 1,000 and 1,600 tons, and one-fourth of all fishing vessels, in addition to the million tons to be built in five years. Total deliveries of all Central Powers amounted to 4,630,915 gross tons. See *Handwörterbuch der Staatswissenschaften 1926*, vol. 7, p. 401.

¹²Albert D. Lasker, chairman of the United States Shipping Board, *What Are We to Do with Our Government-Owned Ships?* (Washington 1922) p. 20.

In our present emergency it is worth observing how far and how successfully the planners of the last war took cognizance of postwar problems. To be sure, the word then used in English-speaking countries was still "control," and its counterpart "de-control," while the term "planning" still belonged to the general staff officers and the city architects. Only in Germany, under the auspices of Walther Rathenau and Wichert von Möllendorf, had planning entered the public forum. The British appear to have felt a need for concerted action in, and continued control of, postwar shipping. In the United States, however, the administration kept strictly to the tenets of economic liberalism which demanded the curtailment of state intervention and a fight against monopolies and trusts. This conflict of attitudes revealed itself in a little-known Anglo-American dispute about postwar shipping policies, while the war was still going on. Later it was to reappear, more outspokenly, on the level of general policies in Paris. But the controversy between the liberal administration of President Wilson and the liberal-conservative cabinet of Lloyd George settled the issue of control or de-control for shipping. Edward N. Hurley, head of the great United States shipbuilding program during the war, reports the controversy as follows:¹³

"Everyone appreciated as the end of the war was approaching that the economic affairs of the world would be in a chaotic condition when fighting ceased. We considered ways and means to help stabilize the distribution of shipping and materials, as well as finished products, recognizing that unless there were full cooperation along these lines the unemployment of labor resulting from repatriation of soldiers might prolong the unsettled condition of the world. This matter was discussed with representatives of foreign governments. Early in September 1918, Lord Reading had mentioned to me the subject of pooling American and British ships after the war. The idea did not impress me as a good one for the United States to adopt, and I did not believe it would get a favorable reaction from the President. I wrote to him, however, communicating Lord Reading's suggestion and found that his position was quite what I had anticipated it would be. . . . He suggested that I tell Reading we were sure it would not be possible for us to make special

¹³E. N. Hurley, *The Bridge to France* (Philadelphia 1927) pp. 202 ff.

¹⁴Sa

arrangements with any one nation inasmuch as it was our fixed policy and principle to deal upon the same terms with all. This question was constantly before us. During the first three months following the signing of the Armistice, the British and our Board felt that there would be an enormous surplus of tonnage. The issue again arose as to whether or not something could be done to regulate world shipping. However early in 1919, the demand for vessels became so great that there was a shortage of ships, and the matter of the pooling was thus automatically regulated by the great demand."

Sir Arthur Salter, then and now at the wheel of British shipping, makes no mention of this incident in his historical survey, but he refers to the same conflict of views as it appeared shortly after the armistice:¹⁴

" . . . the best course was for the Allied Maritime Transport Council itself to be converted without breach of continuity into a General Economic Council with certain extensions and changes of personnel. . . . The British Government took the initiative in making a formal proposal to the other Governments [on November 13, 1918]. . . . The American Government, however, took the view that it was desirable after the cessation of hostilities that the war organizations should be discontinued and that where necessary the new problems of the Armistice period should be dealt with by appropriate new machinery. . . . There was a general desire that the consequent limitation on the freedom of action of each national Government should be removed as soon as possible, and that each Government should deal independently and responsibly with its own import problem, and should be free at the time it judged best to release its own shipping either partially or completely from Government control. The British Government were anxious to proceed rapidly with this policy of release from control, and were indeed disposed to believe that full freedom could be given at a much earlier date than ultimately proved possible. The French and Italian Governments, while entirely agreeing that ultimate freedom was desirable, were not unnaturally anxious to be safeguarded in the transition from one system to another against the risk of either failing to secure adequate tonnage or having to pay undue rates of freight. The reasonableness of this position was recognized by the British Government, who concluded two agreements, one with France and one with Italy, guaranteeing each country tonnage up to a specified maximum limit [the amount of ton-

¹⁴Salter, *op. cit.*, pp. 220-22.

nage in service at the conclusion of hostilities] at a specified maximum rate, in general 25s per ton dead weight per month."

As far as postwar plans were concerned Salter confined himself to proposals pertaining to the armistice period. There his aim was to obtain immediate use of the German fleet, and, reflecting on the failure of his project, he writes:¹⁵

" . . . little doubt that if the two proposals made by the Transport Executive before the Armistice [the second referring to relief] had been adopted the economic position in the spring of 1919 and possibly afterwards would have been substantially better. The German ships would have been at work in December instead of March and food would have gone to Germany as from January instead of April, with results it is not easy now to measure exactly upon the political position in Germany and the consequent difficulties of the earlier peace negotiations."

A rather grave mistake in the estimation of postwar needs was shown by a French commission which believed in 1918 that the postwar world would need 80 million tons of shipping space.¹⁶

After the First World War the de-controllers gained the upper hand in all victorious countries; the controllers, therefore, had no chance either to prove or to disprove themselves. So far as they had vision they were not allowed to use it. With most of them the urgency of the daily tasks seems to have prevailed over long-term views. Apart from the realm of office and action there was one, however, who, during the war, foresaw the future with astonishing accuracy. But Professor J. Russell Smith's analysis and foresight remained buried in a book.¹⁷ He saw clearly the coming of the feverish reconstruction boom, the overproduction of ships and the following collapse. In the cautious form of a question he asked: why should not shipping too enter the class of government-controlled or government-operated public utilities?

Looking back upon opinions and events we have to ask ourselves whether the task, as it stood, was manageable at all. Certainly the economic disproportionalities caused by transoceanic warfare are nowhere greater than in the shipping sector. The adaptation of war

¹⁵*Ibid.*, pp. 323 ff. and 221.

¹⁶J. Russell Smith, *Influence of the Great War upon Shipping* (New York 1919) p. 334.

¹⁷*Op. cit.*, finished in May 1918; see pp. 308, 333-36.

needs to peace needs is impossible during the war, for the victory drive of naval powers calls forth an excessive effort in shipbuilding which is due to reach its peak close to or after the victory. If this effort were governed by considerations of peace economy, it would ruin both the war and the peace.

In brief, then, the main causes of the shipping crisis of the 1920's appear to have been as follows, in chronological order: the expansion of shipbuilding during the war; the execution of war shipbuilding programs after the war; the failure to arrange for immediate use of enemy ships; the stimulation of German shipbuilding by the peace treaty; the stimulation of private shipbuilding by the short postwar boom; and the general slump in trade.

Of these only two—the failure to use German ships and the stimulation of German shipbuilding—could have been easily avoided by applied foresight. The expansion of shipbuilding during the war was an unalterable fact. And any rapid restriction of shipbuilding programs during the time of demobilization is a very difficult undertaking, running counter to the aims of national employment policies, to natural instinct, which wants to finish a work begun, and to economic nationalism, which at the end of a war is strengthened by awareness of the perils just overcome. The shipping industry has always been subject to some kind of state intervention. It was never allowed to grow according to the laws of free competition; it was and still is bound up with the alleged or real interests of national defense, national prestige and the promotion of national trade.

There remain two factors in regard to which positive action might possibly have been attempted: private shipbuilding and business cycle policy. Action concerning the first would have demanded international self-control, or state control of shipping; but the instruments of self-control did not exist, and the instruments of state control were flung away. The conception of international business cycle policy, on the other hand, was far beyond the imagination of the peacemakers.

But we today should be able to profit from the lessons of the past. We ought to grasp the essential economic facts of the problem, and

to act upon them within the limitations set by non-economic conditions. The disequilibrium and dislocations produced in the shipping industry by a great war are so large that some sort of international organization becomes necessary, for the transitional period at least.

One has to recognize the fact of continual state intervention in shipping in the past, and to understand that the same motives are likely to work also in the future. A system of full freedom of competition in shipping (which has never been practiced so far) would exclude all open or hidden state subsidies, and would entail equality of rights for all flags, for the sailors of all nationalities on all ships, and for all ships wherever built, in international as well as in intercoastal and coastwise trade. Under these conditions the ships of the world would be built by the cheapest industry and manned by the lowest paid sailors, and surplus tonnage would be eliminated by rate cutting. Thus the largest part of world shipping would probably go to the Japanese, the Norwegians and the Greeks; shipbuilding might follow the path of currency depreciations.

If world tonnage were reduced to actual demand, any expansion in demand would bring about a very substantial rise in freight rates, and vice versa. Thus, as long as world trade is subject to expansions and contractions, free competition in the shipping freight market would mean violent fluctuations of rates, as is proved by the history of the relatively free tramp shipping trade. Though the interest of the consumer is served by low-cost transportation, it is not served by violent fluctuations of costs. In modern economy production and consumption need regularity and dependability in freight rates as well as in transportation services. Violent fluctuations of freight rates, with temporary below-cost prices, are not likely, in our highly differentiated economy, to increase the demand for transportation services and the general flow of goods over any long period of time, and they inflict serious hardship upon the transportation services themselves and those employed therein. Depression in this one sector may have a damaging influence on other sectors.

The aim of modern economic policy is maximum production to

the benefit of social welfare, and this means avoiding the waste of human and material resources, within the limits set by necessary changes in employment. What can the shipping industry, in the particular circumstances of the postwar period, contribute to that goal?

II

The shipping world developed a fairly well integrated organization of its own during the two decades between the wars. The system of the shipping conference goes back to the beginning of the century. While the First World War destroyed part of the organization it brought about (in the Merchant Marine Act of 1916) its official recognition by the United States, which had formerly opposed the conferences on principle. The postwar shipping crisis increased the need for concerted action.

The conference system, at first established in the passenger trade, expanded throughout the cargo lines of the world and, during the great depression, gained a foothold even among the tramps. Shortly before the present war it was estimated that about 85 percent of the total cargo-liner tonnage had been integrated in conferences.¹⁸ The most individualistic part of the trade, the British owners of tramps, were brought into a national organization with international ramifications by the British Shipping Act of 1935, which made a yearly subsidy of 2 million pounds conditional upon the minimizing of domestic competition and upon cooperation with foreign owners. Its result, the Tramp Shipping Administration Committee, survived even the cancelation of the subsidies in 1937, and the minimum freight rate scheme continued to function thereafter.¹⁹ The overwhelming share of overseas traffic, however, is shipped in liners; the proportion for the United States was about 80 percent in the middle of the 1930's.²⁰ The pronounced diversification in the character of international trade, and the growing pre-

¹⁸Paul Schulz-Kiesow, *Freie Seeschifffahrt oder Konferenzen* (Jena 1937) p. 171.

¹⁹*Economist*, July 31 and September 11, 1937.

²⁰Schulz-Kiesow, *op. cit.*, p. 24.

ponderance of manufactured commodities over bulk goods, have furthered in the past and will increase in the future the importance of the liner service.²¹

Generally speaking, the conferences developed from agreements about minimum rates for specified routes, to agreements about traffic quotas, and, in several instances, to profit-sharing pools. The working rules of the conference committees were elastic enough to allow for the adaptation of rates to changing conditions and for the expansion of quotas according to individual trade gains which had been secured by fair practices. In fundamental questions decisions were taken by unanimous vote; in matters of contracts and special rates the qualified or the simple majority was the rule.²² The conferences worked on the principle of equality of rates for all shippers and from the largest possible number of ports.

The defense against outsiders consisted in the so-called fighting ship, which had to undercut the rate of the outsider until he gave up, and in deferred rebates of 5 to 10 percent annually to shippers who contracted to give their whole business to the line or conference.²³ When the American Merchant Marine Act of 1920 prohibited both these practices the conferences introduced a system of lower contractual rates for exclusiveness of shipments during a certain period.²⁴ Aside from the competition of the permanent independent lines, and of the occasional lines established by shipbrokers, which became especially active during the great depression, the conferences were exposed to the pressure of strong, cartelized clients. Thus the International Steel Cartel succeeded in obtaining a vote in the establishment of rates in the Outward-Continent-Far East Conference. Later an analogous development took place in rubber regulation.

Although the conferences have achieved, by and large, a certain

²¹In Hamburg the average value of export transactions during the year 1936 amounted to no more than 250 marks; see Paul Schulz-Kiesow, *Das kartellierte Meer* (Hamburg 1938) p. 15.

²²*Ibid.*, p. 29.

²³L. A. Bryan, *Principles of Water Transportation* (New York 1939) pp. 311 ff.

²⁴Schulz-Kiesow, *Freie Seeschifffahrt* (cited above) p. 11.

stability on the main trading routes, they have not been able to solve the problem of surplus tonnage, which is closely linked with the matter of government subsidies. The period between the two wars saw the creation of a wide variety of subsidies, in a sequence of measures and countermeasures. Each help was given with the intention of defending the competitive position of a national unit, whether fleet or shipyards; the general result, however, was the preservation or even the enlargement of the world's surplus tonnage, with its adverse effects upon all parties. This is an issue which, along with the connected problem of national shipping preferences and special shipping quotas stipulated in commercial treaties, can be solved only by an agreement among the governments. The urge for subsidies may lessen if it develops that the new system of international security can be based mostly on air power. In that case merchant fleets would slide down on the priority scale of war potentials. But if merchant fleets continue to rank high as potential instruments of warfare a well devised system of collective security would try to distribute the shares somewhat in accordance with the economic facts.

The shipping conferences have made several attempts at a solution of the problem of surplus tonnage. The first such project was conceived by Albert Ballin, who proposed in 1908 the establishment of an international fund in order to buy and to scrap a number of old passenger liners.²⁵ In 1914 Sir William Noble proposed a levy of 1d per gross ton, out of which premiums were to be paid to ship-owners who would lay up their ships. The same idea, with higher rates, was discussed in 1925 at the Baltic and White Sea Conference. In January 1935 the International Shipping Conference in London drafted a proposal²⁶ which provided for an annual levy of 1s 3d per gross ton, to be collected by the governments, for laying up and scrapping a total of 9 million tons. Most of the participants accepted the idea in principle, but a number of objections were raised to the

²⁵Sven Helander, *Die internationale Schifffahrtskrise in ihrer weltwirtschaftlichen Bedeutung* (Jena 1928) pp. 334 ff.

²⁶Bulletin of the International Chamber of Commerce, 1935, Brochure no. 89, pp. 15 ff.; also *Economist*, January 19 and August 10, 1935.

scheme itself; a British group, for example, feared it would operate in favor of subsidized shipping. As an alternative it was later proposed that the shipowners should agree voluntarily to lay up a certain percentage of their ships for a certain period. The next International Shipping Conference, at the end of 1937, recommended only a voluntary cooperation scheme,²⁷ and this does not seem to have had much effect.

For tramp shipping the British government operated a "scrap and build" scheme during 1935-37, at an outlay of 3.5 million pounds; shortly before the war another 2 million pounds was granted for the purchase of ships which were to be laid up as an emergency reserve. At the first London Shipping Conference United States delegates went so far as to propose the establishment of international liner and tramp conferences by government compulsion and under government control. This was toward the end of the NRA period, when the United States Shipping Board and the American conference lines were favoring the legal enforcement of shipping codes, with detailed minimum and maximum rates. The State Department, however, opposed such action, on the ground of its foreign trade policy, and the Department of Agriculture intervened against the proposals, on behalf of the export interests of the American farmer.

The present war has brought about, in several stages, full government control of freight rates and of shipping in general. Despite their ample experience in the First World War the British started hesitatingly, with a licensing system, except for the requisition of some tramps by the Ministry of Food and of passenger liners for the Navy. But in the spring of 1940 the licensing system, which had left rates and cargoes partly free, was replaced by general requisitioning, with fixed compensation rates;²⁸ the shipowners retained their property rights and the management of the vessels.

In the United States the Ship Warrants Act of July 14, 1941,²⁹

²⁷*Economist*, December 15, 1937.

²⁸*Economist*, September 23, 1939, January 13 and May 25, 1940.

²⁹Public Law 173, 77th Congress, H.R. 4700. The authority granted is limited to the duration of the emergency, but is not to extend later than June 30, 1943.

gave the Maritime Commission practically complete control over the operation of ships, by authorizing it to grant preferences in the use of shore facilities to all ships that cooperated in the national defense program. This act did not give explicit power to fix rates but the "conditions" set by the Commission had to be followed. By the Executive Order of February 9, 1942, the War Shipping Administration was created, under a single administrator who received full control over all phases of shipping except coastwise and intercoastal. The powers of this administrator encompass "the operation, purchase, charter, requisition and use of all ocean vessels under the flag and control of the United States." British-American Combined Shipping Adjustment Boards were established in Washington and London on January 27, 1942, whereby "in principle, the shipping resources of the two countries will be deemed to be pooled," while the authority of operation remained divided. The establishment of the principle was apparently insufficient, however, and it was decided at the end of April 1942 to charge a special Coordinating Committee with the function of advising on allocations, though executive power was still withheld and the boards remained primarily consultative agencies.

Japan established a war shipping corporation in September 1941, with the right of fixing wages and freight rates, requisitioning ships and supervising compulsory shipbuilding. After Pearl Harbor the Japanese government requisitioned all ships above 100 or 150 tons, and also their crews.³⁰ In April 1940 the Norwegian government requisitioned all ships of more than 500 tons.³¹ Of the Norwegian merchant fleet which remained outside the grip of the Nazis 80 percent is administered by the Norwegian Shipping and Trade Mission, which "has become the world's largest shipping concern."³² Vichy France, by a law of April 6, 1941, introduced financial and administrative control over all shipping companies that had received subsidies or applied for aid, which means all the larger com-

³⁰New York Times, August 21, 1941, and August 28, 1942, report by O.D. Tolischus.

³¹For the Norwegian decrees of April 20, 1940, and May 18, 1940, see *Norwegian American Commerce*, vol. 7, no. 3 (Winter 1941) pp. 8 ff.

³²O. Lorentzen, *Norway, Norwegian Shipping and the War* (New York 1942) pp. 22 ff.

panies.³³ Nazi Germany and Fascist Italy brought shipping under state control, though not under state management, long before the war began. Thus state control over shipping has been achieved on a worldwide scale.

At present it does not seem likely that these controls will be abandoned immediately after the end of the war. In British conservative circles there is, however, a strong advocacy of a speedy de-control of transportation services and a definite opposition to state operation.³⁴ A favorable attitude toward international postwar control of shipping has been expressed by Wayne C. Taylor, Under-Secretary of the United States Department of Commerce.³⁵

It is not to be expected that the question of public or private ownership will be in the foreground, because experience with government ownership and management has been generally unfavorable and, except in Russia, the trend has been away from both. The real issue will probably center around the problem of control on the national or on the international level, and be envisaged as part of the general endeavor to achieve an internationally coordinated anti-depression policy. Certainly it would help a great deal in charting the outlines of a shipping policy if some volume of world trade could be taken as granted.³⁶ Then the task would be to assure the corresponding amount of tonnage, taking into account the greater carrying and handling capacity of modern ships, and changes in trade routes.

But it may be safer not to expect the immediate elimination of the ups and downs in international trade. Large areas of the world

³³New York Times, April 7, 1941.

³⁴For the government attitude toward railways see British White Paper Cmd. 6314, and the commentary of the *Economist*, October 4, 1941. For the general tendency see C. J. Hitch, "The Controls in Post-War Reconstruction," *Oxford Economic Papers*, no. 6, p. 45. For the attitude of shipowners see the declaration by Lord Essendon, chairman of the Royal Mail Lines, in *New York Times*, August 3, 1942, and *Economist*, August 15, 1942.

³⁵At the Foreign Trade Convention in Boston (see *New York Times*, October 8, 1942).

³⁶The Chamber of Shipping of the United Kingdom, in its *Annual Report* for 1939-40, p. 72, expressed the opinion that trade and tonnage were approximately in equilibrium in 1937.

may remain in a state of disorganization or even chaos for some time after the armistice. Moreover, an international full-employment scheme may take some time to work itself out through trial and error, especially in view of the many unknown factors of new relations, new materials and new institutions. Under such conditions it would remain the task of the shipping industry, in collaboration with the respective governments, to organize itself in a way that would provide both stability and elasticity. For this purpose the shipowners may make effective use of the high degree of international collaboration that they have developed and maintained in their conference system.³⁷

The seamen too—or those within the orbit of the United Nations—have developed, under the stress of war, a closer cooperation. Common risks and common tasks have brought about a narrowing of wage differentials, although United States wages still remain about 100 percent above the others.³⁸ The difference between United States wages and those of Norwegian and Dutch seamen is to a large extent overcome, however, by the latter's high social security benefits. The International Transport Workers Federation is striving for an equalization of wages, on the ground that this would produce a more "rational use and exploitation of shipping resources." The same body, the only active international organization of trade unions, also urges the establishment of a United Nations Joint Maritime Commission composed of governments, employers and labor, and the setting up of an International Seamen's Pool.³⁹

As to postwar organization, there is a strong tendency to develop

³⁷The Chamber of Shipping, *ibid.*, p. 67, declares that the machinery of cooperation is being retained, with a view to the resumption and development of cooperation as soon as peace is restored.

³⁸In the middle of 1942 able seamen's wages, including war bonuses, were as follows, according to *New York Times*, first ed. July 26, 1942: on United States, Panamanian and Honduran ships, and on Yugoslav ships in North Atlantic service, about \$200 a month; on Norwegian ships \$105-110 (in October 1942 Norwegian circles set the average at about \$130); on Dutch ships \$99; British \$88; Greek \$84; Chinese \$76. (For October of the same year the Greek Maritime Union gave a figure of \$112; see *New York Times*, October 4, 1942.)

³⁹See Omer Becu's letter of May 1, 1942, reproduced in *International Labour Review*, vol. 46, no. 1 (July 1942) p. 69.

the Joint Maritime Commission of the International Labour Office, with the addition of government representatives, into the leading agency of international regulation.⁴⁰ So far this body has been concerned only with matters of social policy, and has operated without the collaboration of the governments. On the other hand, the Combined Shipping Adjustment Boards, mentioned above, have worked with the United States and British governments as consultative agencies in matters of administration. These boards, as well as the Joint Maritime Commission, will be available as instruments of postwar organization.

III

Whereas at an earlier stage of the industrial era transportation was the pacemaker of economic expansion, today it is dependent, at least in its older branches, on production and distribution. The problems that confront railways and shipping in our period are mostly those of overcapacity, not of underdevelopment. To fulfil their economic function without undue waste the transportation systems need rational adaptation to changing demands. The production of surplus capacities in sudden leaps not only is a waste of human and material resources but also endangers the whole economic fabric. If relative stability and continuous growth are to be the goals, then the instruments of transportation should be so arranged as to conform with those goals. The aim then would be to keep ready the maximum of transport that the traffic may need, without allowing a temporary surplus to disturb the market.

The maximum cargo tonnage that the world may need during the next period of full employment can be estimated from the ratio, for former peak years, of used tonnage to the volume of world trade, making a subtraction for the increased efficiency of new ships and an addition for risks. Passenger lines will need special treatment because of their competitive relation with air transport, both being large receivers of favors and subsidies. At present British circles are

⁴⁰See *International Labour Review*, vol. 46, no. 1 (July 1942) p. 33; also the resolution on representation at the Peace Conference, *ibid.*, vol. 46, no. 2 (August 1942) p. 172.

reticent about the future replacement of passenger ships.⁴ The one-sided flow of reconstruction credits may suggest an institutional combination of international lending and traveling.

The regulation of cargo tonnage could be achieved by the establishment of an International Reserve Pool of shipping. When the estimated maximum tonnage is not used, the surplus would have to be put in reserve. Then the pool would have to buy old ships at falling prices. The buying policy of the pool should depend upon a maximum and a minimum schedule between which freight rates would be allowed to fluctuate. With continuing price pressure the reserve pool would scrap the old ships and order the building of new ones. With rising prices the new ships would be released and scrapping would be stopped, but the rate of building would be maintained so long as private orders did not provide for a normal level of output. The selling price and the building policy of the reserve pool should act as regulators of shipbuilding, and an elastic replacement and modernization policy would be a powerful instrument in the hands of the pool. The regular replacement needs of shipping would be met during trade recessions or depressions, and

⁴The Cunard White Star Line has repaid its whole debenture debt, to the amount of £7,950,000. Its chairman, Sir Percy Bates, made the following statement on October 8, 1941, in a company report to shareholders: "During the war the company will not be allowed to build new ships for the North Atlantic passenger trade. At the proper time a cautious survey of the post-war world must be made before embarking on any shipbuilding, as nothing is so disastrous for any shipping company as to build ships, especially at high prices, which are other than carefully suited to their times. After the last war our Cunard building program, based on the known desire of many inhabitants of the British Isles and Europe to leave home and, among other destinations, to go to Canada and the United States, was turned into a handicap when the United States put severe restrictions on to immigration, and Canada and the rest of the world perforce followed suit. But for these restrictions, which started in the United States and which the rest of the world had to follow, there would by 1939 have been about twenty million people fewer in Europe. Perhaps there would have been not enough steam in Europe for Hitler to have been able to cook up this war at all. If there is to be free migration, we want one class of ship; if there is not, either we want a different class or perhaps no ship at all. It would be madness for Cunard White Star to start building ships until it can see clearly the function of the ship to be built." On April 19, 1942, Sir Percy stated, according to the *New York Times*: "I think our company will need to enter this element [the air] one way or another even though, given a fair field, the sea probably can hold its own. The situation would be changed if air traffic were subsidized to a great degree, and there will be much pressure in this direction."

the requirements of growth could be spread more evenly over the alternating phases, thus making for a relative stability of freight rates and of shipbuilding operations.

The International Reserve Pool, once established, would have to be financed by compulsory dues paid by all organized shipping. It could be directed by an international institution such as the Joint Maritime Commission, and administered by the shipping conferences. The governments of the participating nations should give their legal support to the shipping conferences, and should provide certificates of ships on order in excess of their own immediate replacement needs and conference quotas. Also, the governments should pledge themselves to abstain from granting national shipping subsidies, and to give collective aid to the pool, in proportion to their tonnage—a kind of reinsurance credit—if its funds were to run out in an emergency.

The pool should start operating at the end of the transition period after the war, when the need for the allocation of tonnage and the *raison d'être* of the Combined Shipping Adjustment Boards have disappeared. Its operation during the first decade would be facilitated by the large number of over-age ships. Of a total tonnage of 68.5 million (including small vessels) at the beginning of the present war, 25.2 million was more than nineteen years old, according to Lloyd's Register of 1939-40, and 40.3 million was more than fourteen years old. Since the normal useful life of a ship is usually set at twenty years, 37 percent of all ships were ripe for scrapping at the beginning of this war, and another 22 percent were due to enter the scrapping age during the years 1940-45.

During the transition period the Combined Shipping Adjustment Boards would have to fulfil a number of important duties in addition to their task of allocation. They would have to bring into immediate action the merchant fleets of the enemies, a task that would entail primarily political problems; here the paramount question would be whether to allow enemy nationals to man their own ships or to try to confiscate the ships. Also these boards should supervise the liquidation of the war building programs, with a view

to eliminating the shortage as quickly as possible and fitting what remains into the reserve pool scheme. They might have to help in setting up the pool.

It should be evident that a voluntary participation in such a pool could not be expected from those merchant fleets that have suffered the greatest losses from submarine warfare unless there were a simultaneous redistribution of ships among the partners. Without this redistribution the merchant fleets that were not able to replace their losses during the war would certainly prefer even the stiffest competition to an undersize though protected quota in the pool. Obviously there is no standard of justice or law upon which to rely for such a redistribution. Those nations that have gained tonnage during the war will be eager to keep the advantage.

Already the claim for the share of United States ships in United States commerce has been raised from 40 to 50 percent.⁴² It would be easy for the United States, if she desired, to maintain a very high share at the outset, but this would quickly lead to a building race and to murderous competition, in which this country's shipping could hold its own only with the help of gigantic subsidies. This cannot be the intention of those who strive for peaceful and continuous growth. In the past the large export surplus of the United States, developed under the influence of the protective tariff, could be balanced only by capital exports from other countries, by gold buying and by foreign services, among which shipping played a great role.⁴³ After this war the United States export surplus promises

⁴²Admiral E. S. Land, in an address at the American Merchant Marine Conference in San Francisco on October 23, 1941, reported in *New York Times*, October 24, 1941, and in his article in *New York Times Magazine*, June 14, 1942. J. W. Powell, special assistant to the Secretary of the Navy, stated before a Congressional Committee (*New York Times*, September 10, 1942): "I don't ever expect that this country in time of peace can or should carry more than 40 to 50 percent of its own cargo in its own bottoms. I think it would be a grave error if we tried to carry more than 50 percent." The share of United States shipping in all waterborne imports into this country was 31 percent in 1937 and 37 percent in 1938, while in waterborne exports it was only 20 percent in 1937 and 19 percent in 1938, according to *Statistical Abstract of the United States*, 1940, p. 469.

⁴³National Industrial Conference Board, *The American Merchant Marine Problem* (New York 1929) p. 125.

to be even larger than before, and in the long run it will not be handled on a lend-lease or gift basis. This country must face the fact that it has to accept either goods or services, or the two in combination.

On the other hand there are nations whose wellbeing depends largely upon serving the shipping needs of others. Before the present war Great Britain, Sweden, Norway, Denmark, the Netherlands and probably Greece paid for 10 percent or more of their imports with income derived from freight, Norway even to the extent of 26 to 37 percent.⁴ With regard to the revival of world trade, if not for moral and political reasons alone, it would seem advisable to restore the earning capacity of these nations where it has been impaired by the war at sea. Their reconstruction would be helped immensely if they could quickly regain this important part of their normal buying power. The lend-lease scheme and the Combined Shipping Adjustment Boards will have the means for achieving such a redistribution during the transition period.

⁴The relative importance of shipping income in the economic life of several European nations during the years preceding the present war is indicated in the following figures, showing net income from shipping in percent of total retained imports, exclusive of precious metals. By net income is meant total gross income from shipping

	1935	1936	1937	1938		1935	1936	1937	1938
Denmark	14%	14%	17%	16%	Netherlands	7%	10%	10%	11%
Finland	9	9	8	8	Norway	26	27	37	36
Germany	5	7	?	?	Sweden	10	10	9	9
Greece	7	8	5	7	United Kingdom	10	11	14	12

and harbor services, minus expenses abroad and expenses for foreign shipping services. The Greek figures of net shipping income, presented by the National Bank of Greece, are based on different methods, which seem to give lower results, thus unduly depressing the Greek ratios in relation to those of the other nations. Other sources used are figures published by the League of Nations on balances of payments 1936 and 1938; *Statistical Abstract of the United Kingdom* for 1936 and 1939; and Svenska Handelsbanken, *Index*.

The Chamber of Shipping of the United Kingdom, in its *Annual Report* for 1939-40, p. 73, presents the following interesting figures on Great Britain's shipping income in percent of her adverse trade balance. And O. Lorentzen, *op. cit.*, p. 21, writes: "Nor-

1913	70%	1929	34%	1936	24.5%	1938	23%
		1931	20	1937	30	1939	25

way's No. 1 export trade is her shipping. . . . In the years 1937 to 1939, Norway imported from the United States \$94,000,000 worth of goods and exported \$56,000,000 worth. . . . Without the earnings from shipping, Norwegian importers would not have been able to buy more than she sold."

These are the general outlines of a postwar shipping policy which would take account of past experience as well as the requirements of institutional growth and international coordination. Such a policy would constitute a golden mean, so to speak, between self-initiative and planning, a new experiment in the combination of private enterprise and public control. It would, in my opinion, avert the serious crises by which shipping and shipbuilding have been beset in the last two decades, and constitute a healthy influence on other areas of the economy.

(*New School Graduate Faculty Research Projects*)

APPENDIX

The following tables on world shipping losses and launchings have been compiled on the basis of estimates and the various sources cited in the footnotes.

WORLD MERCHANTSHIP LOSSES, JULY 1, 1939, TO END OF 1943
(in thousands of gross tons)

	1939-40	1941	1942	1943
Allied and neutral ships operated by Allies ¹	4,518	3,782	7,400	6,000
Axis ²	1,579	2,800	3,000	2,000
Normal non-war losses (estimated at 0.8 percent of world tonnage)	590	400	400	300
Neutrals not in the service of belligerents (estimated) ³	400	50	—	—
Merchantmen converted into auxiliaries (estimated)	200	150	200	200
TOTAL	7,287	7,182	11,000	8,500

¹For 1939-40 from *New York Times*, July 17, 1941. For 1941 from British statements recorded in *New York Times*, July 16 and 17 and October 5, 1941, and January 15 and February 25, 1942. For 1942 estimated at about 3,900,000 for first five months, with a subsequent drop to about 500,000 monthly, on the basis of British and United States statements recorded in *New York Times*, June 3 and 8, July 18, and September 2 and 8, 1942. For 1943 estimated on the assumption of some decline in the efficiency of attack.

²For 1939-40 from Lloyd's figure of 2,028,000 for German and Italian losses, minus 447,000 captured by Allies up to February 28, 1941, as reported in *New York Times*,

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March 18, 1941. For 1941, German and Italian losses for March through December, estimated on the basis of British statements recorded in *New York Times*, July 16 and August 25, 1941, and January 13, 1942. For 1942, German and Italian tonnage sunk by the British estimated at 1,500,000 on the basis of Admiralty figures on first half year (*New York Times*, July 30, 1942) plus 700,000 German tonnage sunk by Russia (*New York Times*, September 29, 1942) plus 800,000 Japanese tonnage sunk by the United States (*New York Times*, October 29, 1942.) For 1943 estimated on the assumption of some decline in the efficiency of attack.

³Figure for 1939-40 includes 191,000 for Greek losses and 184,000 for Swedish losses.

WORLD MERCHANTSHIP LAUNCHINGS, JULY 1, 1939, TO END OF 1943
(in thousands of gross tons)

	1939-40	1941	1942	1943
United States ¹	564	990	5,300	10,700
Great Britain ²	800	1,200	2,000	2,000
Canada ³	—	37	750	750
Australia ⁴	—	—	100	100
Germany ⁵	220	—	100	100
Italy ⁶	80	20	20	20
Japan ⁷	600	350	400	400
Belgium ⁸	20	—	—	—
Denmark ⁸	180	—	—	—
France ⁸	20	20	20	20
Netherlands ⁸	300	—	—	—
Norway ⁹	50	—	—	—
Sweden ¹⁰	130	100	70	70
Others	40	40	40	40
TOTAL	3,004	2,757	8,800	14,200

¹For 1939-40 (120,000 in the second half of 1939, and 444,000 in 1940) and 1941 from American Bureau of Shipbuilding, *Bulletin* (February 1941). For 1942 and 1943 from Admiral Land's estimate (*New York Times*, September 26, 1942) of 8,000,000 and 16,000,000 deadweight tons for those years, respectively; 150 deadweight tons have been calculated as equal to 100 gross tons. Deliveries from United States shipyards showed the following rapid rise during 1942 (in deadweight tons): January 197,628; February 289,549; March 291,473; April 401,632; May 632,304; June 747,900; July 791,667; August 753,000; September 1,009,000.

²Official British building figures are being withheld during the war. According to Representative B. J. Jonkman (*New York Times*, February 5, 1941) production from September 1939 to the end of 1940 was set by Admiral Stark at 1,185 (in thousands of gross tons); A. E. Sanderson (*Foreign Commerce Weekly*, vol. 2, no. 1, January 4, 1941) puts it at about 427 during the first nine months of 1940; the *Economist* of February 3, 1940, on the basis of current output, estimated a yearly production of 750, and again, on October 11, 1941, estimated production during the two preceding years at 1,500. For the period from July 1939 to the end of 1940 we have used the lowest of these estimates. For 1941 production has been variously estimated between 900 and 1,700 (*New York Times*, February 3 and June 15, 1941), and for 1942 between

1,000 and 2,500. An authoritative report (*New York Times*, June 8, 1942, also April 5, 1942) has stated that in this war British production has considerably exceeded the last war record of 1,300 per year. It is also reported that 23 closed shipyards have been reopened (*New York Times*, August 5, 1942).

²For 1941 from *International News Bulletin*, May 31, 1941, and *New York Times*, October 7, 1941. For 1942 and 1943 from reports by H. W. Baldwin in *New York Times*, April 5, 1942, and Vice Admiral Vickery in *New York Times*, July 2, 1942.

³Estimated from figures in *New York Times*, July 31, 1941.

⁴For 1939-40 estimated on the assumption that the work on hand was completed. In 1941 German shipbuilding was probably discontinued. In 1942 a British source reported (*New York Times*, July 25, 1942) that the Germans were pushing a program of standardized shipbuilding in order to replenish their great losses; figures for 1942 and 1943 are rough estimates.

⁵Figures are estimates, based on former performance and the date of entry into the war. References to France are contained in Vichy dispatches in *New York Times*, March 28, 1941, and September 5, 1942.

⁶For 1939-40 derived from an estimate of the highest prewar rate, since favorable freight rates and military considerations probably caused a maximum effort at that time. For 1941, 1942 and 1943 this figure has been reduced, on the assumption that naval building and a shortage of scrap iron somewhat curtailed the former maximum output.

⁷For 1939-40 the figure represents one and a quarter years' full output. Shipbuilding is assumed to have stopped after the occupation.

⁸For 1939-40 the figure represents about one year's full output. Shipbuilding is assumed to have stopped after the occupation.

⁹For 1939-40 and 1941 derived from data given for a part of this period by the Swedish Royal Board of Trade (*Foreign Commerce Weekly*, January 10, 1942) and from the prewar rate of building. For 1942 and 1943 the figures are estimates, taking consideration of the reduction of coal allocations to Swedish yards.

TAINE ON RACE AND GENIUS

BY JOHN S. WHITE

THE biased judgment of the philosophy of Taine by his contemporaries, as well as by the generation immediately following him, requires today a thorough revision. It is the fate of almost every great thinker to become differently interpreted in the course of time. Now and then it seems as though a particular epoch's conception of a great personality contains only to a limited degree the essence of his teachings. It is likely to be conditioned by the tendencies current at the time, embodying some features of his teachings and misunderstanding or even ignoring others. This does not necessarily mean that the generation of a certain epoch is always so tied up with its time that it misunderstands the essential meaning of a philosophy; the philosophical system itself can be the cause of diversity of interpretation, since it too is determined by its own time and its own spiritual surroundings.

These considerations are especially relevant to Hippolyte-Adolphe Taine, who was so much at one with the ideas of his period that involuntarily much more than he wished and thought was incorporated into his philosophical system. Small wonder, therefore, that the positivistic generation of the end of the nineteenth century saw in Taine first and foremost the determinist and the theorist of milieu, and did not realize that the theorist of milieu was really a critic of milieu who judged the representatives of a certain time, a certain society, and their art, by their conformity with the "racial" type to which they belonged. His system is, in the last analysis, a severe condemnation of the "homme civilisé" of the seventeenth, eighteenth and nineteenth centuries who prided himself upon intellectuality and was acutely conscious of progress but whose values, in Taine's opinion, were all the more questionable since, according to his observation, they excluded everything powerful, primitive and vital. His theory of genius reveals Taine as one

of the first thinkers of the nineteenth century to wield the axe of criticism against the basic conceptions of his time—against values that are today subject to so much questioning and whose liquidation we are witnessing with perplexity.

Historical Background and Meaning of Taine's Racial Conception

Lessing's attack on French classicism was an occurrence of far-reaching significance in the history of European intellectual development. By holding up Shakespeare as a model of genius "das alles bloss der Natur zu verdanken scheint," he dealt the death-blow to French rationalism and helped bring about the conception of independent, innate genius which, free from the compulsion of rules, creates according to its inner inspiration. Further, by denominating the art of Shakespeare as of a kind more native to the German temperament than French art, he started a train of thought as to the national character of all art which was to be of great significance for future thinkers.

Lessing, himself a child of the era of enlightenment, decisively weakened the dikes of rationalism within which the era of enlightenment sought to confine art. The one actually to unloose the flood of irrationalism was Rousseau. His retrogressive ideal of the natural man of sure instinct, his pessimism as to the value of culture—culture the destroyer of happiness—the excessive importance he attached to the value of feeling—"le sentiment est plus que la raison"—struck a responsive chord in the hearts of the young artistic generation of his time. It welcomed him as the unshackler of the unbearable chains confining art.

To the men of the enlightenment art was an achievement of culture, determined by the purpose it was to serve, and to be judged according to its effectiveness. Lessing also subscribed to this view. To the exuberant young Rousseau enthusiasts, however,² art was the work of native genius obeying a spontaneous compulsion to

¹*Literaturbriefe*, no. 46.

²See H. Korff, *Der Geist der Goethezeit* (Leipzig 1923-30); Irving Babbitt, *Rousseau and Romanticism* (Boston 1919).

create and recognizing no other law than that within itself. The sources of creative activity were sought no longer in reason but in the unconscious, in the realm of the feelings. The stammerings of the child, the cry of the savage, the mutterings of the people, were devoutly hearkened to as the expression of the yet unperverted primitive soul. Going farther than Lessing, the romanticists contrasted the genuine, spontaneous art of a Shakespeare with the spurious—because intellectually regulated—art of French classicism. "Natur, Natur! Nichts so Natur wie Shakespeare's Menschen," enthusiastically shouted young Goethe in his discourse on Shakespeare in 1782. He had discovered Shakespeare through Herder, who was, after Lessing and Rousseau, the most stimulating man of his era.

Herder and the German romanticism initiated by him dissociated their conception of nature from the abstract and bound it up with the idea of nationality. The transition was effected, remarkably enough, by the enlightenment—by Rousseau himself. In 1769 the Polish convention turned to Rousseau for his views as to the best form of government for Poland to adopt after having shaken off the foreign Russian yoke. Rousseau set down his answer in the tract, *Considérations sur le gouvernement de Pologne*.³ A different Rousseau from the generally familiar one of the *Discours* and the *Contrat social* speaks from this treatise. In view of the hopelessly backward feudal conditions of the Poland of that time one might have expected that the protagonist of political enlightenment would advocate thoroughgoing reforms, or even foreign intervention by an enlightened monarch. Rousseau demanded a careful reform, to be sure, but with the preservation of the traditional and the national. He warned away from the idea of the European without national self-consciousness, and saw in the conscious cultivation of her historical traditions the only salvation for Poland. "It is now necessary to reestablish the old customs and to introduce those that are suitable to the Poles. If you proceed in a way that a Pole can never

³See *The Political Writings of Jean Jacques Rousseau*, French texts ed. by C. E. Vaughan, 2 vols. (Cambridge, Eng. 1915) vol. 2.

become a Russian I guarantee you that Russia will not subjugate Poland." Here the utopian conception of nature of Rousseau's youth gives way to the idea of a national-individual nature from which alone nations draw their strength and to which they are indebted for what they are.

That which is only intimated in this noteworthy treatise becomes the heart of Herder's theory and of German romanticism: the belief that every people possesses innate powers peculiar to itself. The German romantics regarded the entire national life of peoples as the outgrowth of these original native characteristics—governmental institutions (Fichte, Adam Müller), law (Savigny), and all the other aspects of national culture. Thus the national community ceases to be either an accident or the result of community of interest, and becomes a natural phenomenon, developing in accordance with its inherent necessity.⁴ Art itself becomes the expression of national-individual peculiarity. The German romantics interpreted genius as an enhanced national phenomenon, the supreme personification of the national soul. And again it was Shakespeare who, as the greatest poet of the "Nordic race" (Herder), was contrasted with the non-national, imitative art of the French.

These ideas penetrated France by way of A. W. von Schlegel's lectures. Their reception was various. By far the greater part of the French romanticists joined the classicists in defense of their sacred cultural possessions against the German critics. They maintained that every great artistic genius is determined by the social structure of the epoch in which he lives, that he is the product of his milieu.⁵ And in this respect Shakespeare and Racine, most outstanding representative of the Grand Era, were inimitable geniuses. The young Stendhal, in his very characteristic essay on "Racine and Shakespeare" (that small word "and" is significant, for usually in those

⁴See Jakob Baxa, *Einführung in die romantische Staatswissenschaft* (Jena 1931); G. Busse, *Die Lehre vom Staat als Organismus* (Berlin 1928); P. Kluckhohn, *Personlichkeit und Gemeinschaft* (Halle 1925).

⁵See P. Trahard, *Le romantisme défini par le globe* (Paris 1925); also the lectures of A. F. Villemain, published under the title *Discours et mélanges* (Paris 1824); and Mme. Necker de Saussure's introduction to her translation of Schlegel's courses, *Cours de littérature dramatique* (Paris 1814).

days it was Racine "or" Shakespeare), gave the word "romantic" a certain anti-Schlegel color by identifying it with conformity to the era. This argument evidences the tendency to put a sociological interpretation on all intellectual phenomena (the spirit of the time opposed to the spirit of the people), and it was elastic enough to be useful in the combat waged by the French romanticists against the two opposing factions—against the adherents of the old school, who swore by unchangeable rules, and the adherents of the Herder-Schlegel school, who had offended the sensibilities of even the most radical French revolutionaries in art.

But some members of the French generation of 1830 accepted the message of the German romanticists regarding the national source of all genuine art. In the chapter entitled "De la poésie classique et de la poésie romantique," in her famous book *De l'Allemagne*, Madame de Staël rejected the imitation of ancient models "parce qu'elles ne tiennent dans leur temps actuel à rien de national." She, who in her earlier *De la littérature considérée dans ses rapports avec les institutions sociales* had still spoken with respect of the art of the eighteenth century, now rejected, under the influence of her friend Schlegel, the art of the era of Louis XIV, and championed an art "ayant ses racines dans notre sol."

Guizot went a step further. He first admired and venerated Schlegel as the translator of Shakespeare,⁹ and was inspired by him to retranslate Shakespeare into French. Alluding to Shakespeare he pointed out⁷ that only an art that gives expression to the national instincts can have importance and duration. Despite the respect he showed for Racine a cautious criticism of Racine's dramas is discernible when Guizot compares an art arising out of national necessity (such as the Shakespearean) with an erudite but superficial art such as that in vogue at the court of Louis XIV. The latter art, since it did not in the least conform with the national instincts, was only for amusement, "un passe-temps."

These opinions, which unmistakably bear the stamp of the Ger-

⁹*Shakespeare et son temps* (Paris 1852) p. 306.

⁷*Ibid.*, p. 212.

man school, foreshadow the theory of Taine, who dedicated his *Littérature anglaise* to Guizot, author of the *Histoire de la civilisation en Europe*, and expressed warm admiration for him in his introduction to that work. Like Guizot and the German school he believed in the national root of every art, and like that school he saw in genius a natural force. Yet he also introduced into his system the point of view of the French determinists; the determination of every work of art by its time, art as a mirror of a certain society, as a product of its milieu, is this second component of Taine's system. As a genuine Frenchman and a descendant of Bodin and Montesquieu he extended this idea to include physical surroundings, speaking of physical and moral climate and using these terms without distinction.

Although Taine bridged over the antagonism between the German national ideology and French determinism, the basic problem of the romantic generation still remained. This problem concerned the wide difference that exists between the Latin-Romanic-Classic peoples and the Germanic peoples—a difference that Taine studied with ardent interest in the finest personifications of those two ethnical groups.

Taine's conception of race is consequently conditioned throughout by the fact of the linguistic and cultural homogeneousness of certain peoples (particularly the Latin on the one hand and the Germanic on the other); this fact became more and more obtrusive as a result of the romantic era's preoccupation with the individual peculiarities of different peoples.⁸ In addition there was the importance attached by many historians and sociologists in France to the ethnological in the course of history. Even in the sixteenth century the Calvinist Hotman, in his struggle against the absolute monarchy, had referred to the old Frankish liberties, in his *Franco-Gallia*. And in the eighteenth century the rights of the French nobility against Louis XIV's tendency toward centralization had been defended by Count Boulainvilliers on the basis of German

⁸See J. Barzun, *Race* (New York 1937); E. Vögelin, *Die Rassenidee in der Geistesgeschichte* (Berlin 1933).

feudal privilege. Since that time there had been no lack of voices raised to trace the political and social contradictions inside France back to their Germanic and Latin elements, to which was later added the Gallic element. The augmented interest in ethnological peculiarities during the romantic era imparted new interest to this question.

It was the brothers Thierry who saw in racial conflict the main-spring of history, particularly Amédée Thierry who, in his *Histoire de la Gaule*, represented the Gallic element in the French people as the factor of greatest importance in their history. The importance of the Gallic origin, of the Gallic race, was accepted by Taine in his first work, *Essai sur les fables de La Fontaine* (1853), in order to demonstrate the superiority of the indigenous genius of La Fontaine over non-indigenous classicism.

The idea of the racial unity of most of the European peoples—which became more and more definite in the course of the nineteenth century in consequence of scientific, especially anthropological, studies—can be found mentioned only twice, and very vaguely, in Taine's theory: once in the introduction to his *Histoire de la littérature anglaise*; and once in the *Philosophie de l'art* (1890, vol. 2, p. 292). But in these instances racial unity was touched upon only as an hypothesis. Taine's thinking did not revolve about the white race (as did for instance that of Gobineau), nor did the Aryan concepts,⁹ introduced into the history of peoples by way of linguistic studies (Bopp, Müller), play any role at all in his system. Shakespeare was for him the finest specimen of the Germanic, and Michelangelo of the Latin, and in the works of La Fontaine the Eternal Gallic speaks to us. In his chapter in *Philosophie de l'art* entitled "De la peinture dans les pays-bas," he defined his racial conception in the following way (1890, vol. 1, p. 256): "I shall show you first of all the seed, that is to say, the race, with its fundamental and ineradicable qualities which persist in all circumstances and in all climates; then the plant, that is to say, the people itself, with its

⁹See Adolphe Pictet, *Les origines indo-européennes, ou les aryas primitifs* (Paris 1863).

native qualities developed or stunted in growth, and in any event acted upon or transformed by the environment or by history; finally the flower." These "ineradicable qualities" of the seeds are, as he says later on, "les traits de toute cette race germanique."

Such is the racial conception of which Taine, the belated racial theorist of French romanticism, made use in his system of art in order to evaluate and pass judgment upon art, eras and their exponents. The thesis that every genius is determined by two factors, the racial factor and the milieu, represents, as we shall see, not a cold statement but a passionate conviction. In it Taine had something to say, first, about the principal source of every true art; second, about the endowments of different peoples; and third, about the time and society in which a genius can properly thrive.

Art and Science

One of the questions most widely debated during the nineteenth century was the question as to which method is most helpful toward the understanding of the mysteries of the universe: the artistic-intuitive, or the scientific-rational. The issue found in Schopenhauer the defender of the romantic-visionary, and in Zola the protagonist of the scientific method applied also in art.

Taine took at first an intermediate position. Proceeding like a zoologist he divided humanity, in his *Philosophie de l'art* (1890, vol. 1, p. 54), into different groups. In the lowest group he placed those whose life consists of a constant struggle for existence; these are the "animaux mieux approvisionnés que les autres." The highest group is made up of those who seek to fathom the causes of existence, "les causes génératrices"; to the revelation of these causes both art and science lead. Taine, believing like the rest of his generation in science and the positivistic method, believed in the possibility of reaching the absolute by analysis and abstraction, following the guidance of ratiocination. He who as a young student had come under the influence of the powerful intellectuality of Hegel, who as a man experienced the impact of Comte and Darwin, made a continual attempt to reconcile in one system the two methods—

the analytical and the deductive, positivism and metaphysics. Often quoted is the passage in his *Les philosophes français du 19^e siècle* (1857, pp. 358 ff.), in which, confusing in a Spinoza-like manner the problem of causality with the logical, he conceived the possibility of evolving abstract intellectual conceptions that would lead to a world formula from which all the single phenomena might logically be deduced.

The final goal of art, however, he regarded as the same as that of science: presentation of the absolute. Here Taine spoke only as the pupil of the German aesthetic school, especially of Hegel.¹⁰ From this school he took over the theory that the object of art is the perfected, not copied, natural object,¹¹ and also the doctrine that in the work of art the "idea" shines through free from the slag of reality.

Science and art differ, therefore, only in their methods. But as Taine analyzed and presented these two methods there involuntarily came to light a difference between the truth revealed by each. Whereas science and philosophy proceed from the individual phenomena and advance to general conceptions of eternal, abstract and rigid formulae, art conceives the same eternal laws as being not the result of rigid formulae but the effect of the exuberance of incessantly active forces.¹² The logical-discursive procedure leads to the conditional truth of science; the irrational-intuitive method leads to the unconditional truth of art.

Consider two significant passages from the *Histoire de la littérature anglaise*.¹³ "Take the world as the sciences reveal it; it is a harmonious grouping, if you prefer, a series that has its law; according to them it is nothing more. Since from the law one deduces the series one can say that the law engenders it, and one can consider this law as a force. If you are an artist you will comprehend as a

¹⁰See D. D. Rosca, *L'influence de Hegel sur Taine* (Paris 1928).

¹¹*Philosophie de l'art* (1890) vol. 1, p. 47. All subsequent references to this work are to this edition, published in 2 volumes.

¹²*La Fontaine et ses fables* (1861) p. 333. All subsequent references to this work are to this edition.

¹³All references to this work are to the edition of 1866-73, published in 5 volumes.

whole this force, the series of the effects and the beautiful regular way in which this force produces the series. To my mind this sympathetic representation is the most exact and the most complete" (vol. 5, p. 290). And: "Things are not dead at all; they live. There is a force that produces and organizes the grouping, that binds together the details and the whole. . . . It is this force and its effects that the mind should reproduce within itself; it should feel this force by rebound (*contrecoup*) and sympathy . . . the inspired, passionate man penetrates the interior of things. He fathoms the causes by the shock he experiences from them. He grasps the whole by the lucidity and velocity of his creative imagination. For the very moment you create you feel in yourself the force that activates the objects which you contemplate" (vol. 5, pp. 261, 279).

Do these passages indicate an inconsistency in Taine's system? Certainly. But at the same time they reveal a certain dilemma, the dilemma of a thinker who was entirely determined by his own time but fought against being thus determined. It was the tragic struggle of the second half of the nineteenth century that the spirit of the time—what Taine called the "*température morale*"—led to positivism, determinism, scientism, but that in the unconscious burned the deep desire to surmount scientism; burned the longing for synthesis, irrationalism and value. This contradiction, the ensnarement in positivism and the dissatisfaction with it, is the key to Taine's conception of genius. For Taine the artistic genius was the surmounter of positivistic barriers, the profound and only true interpreter of the essence of the world. Science, as the well integrated system of logical argument, is the province of the intellectual. Art, a world in miniature, is born in the sphere of the instincts.

Genius as Instinct

In the irrational sphere of the instincts, according to Taine, lies the particular gift through the medium of which the forces active in the external world may be intuitively understood. In the genius instinct becomes conscious of itself, and in the process of self-understanding it comprehends also the forces alive in other creatures

identical with itself.¹⁴ The creative act was described by Taine as a total embracing of reality, which presupposes a sympathetic penetration of the world, an enhanced spontaneity and sensibility. It is because of this that the artist is all sensibility and is governed by rather than governor over the external world. And it is because of this that his procedure is according to nature—spontaneous, compelled, following an inherent law. Taine believed, with the romantics, that the artistic method is identical with the creative forces of nature itself and of those creatures that are still at one with nature—in other words, the self-sufficient child and young and untamed peoples.¹⁵

Like Herder and Hamann in Germany, Taine took the example of language in order to show the paralyzing effect of a development that moves steadily away from the natural status. He regarded both scientific and everyday language as having lost their primitive force, as having become abstract and meaningless. The man of the seventeenth, eighteenth and nineteenth centuries no longer saw—he conceived. His perceptive power was weakened and his reasoning powers had attained the upper hand. The word had become “une conception abstraite, une notion pure.”¹⁶ The primitive word was entirely different. It evoked in the young soul of primitive man the total picture of the object; it was plastic, picturesque; it expressed.¹⁷ Seen in this light Taine’s dislike for French classicism—which forced every sentiment into the straitjacket of the Alexandrine school—can be understood.¹⁸

Thus the problem of genius became for Taine, as for the romantic era, a question of civilization versus nature, which in both cases was decided against civilization. Taine, too, classed the man of genius alongside the man of instinct, but more thoroughly than the preceding generation he showed how the best achievements of hu-

¹⁴*Histoire de la littérature anglaise*, vol. 5, pp. 261, 279.

¹⁵*Ibid.*, vol. 2, p. 254, vol. 5, p. 262; *La Fontaine*, p. 232; *Philosophie de l'art*, vol. 2, p. 231.

¹⁶*La Fontaine*, p. 296.

¹⁷*Histoire de la littérature anglaise*, vol. 1, p. 42.

¹⁸*La Fontaine*, p. 45.

man endeavor spring directly from the animal urge. Before Lombroso, who often referred to him, and Kretschmer, he pointed out the relationship between genius and madness, shedding light upon the dark forces of the soul and the ecstasy increasing to epilepsy during the process of creation. With a clairvoyance suggestive of Nietzsche he sensed the release afforded by the creative act. Whereas in instinctive creatures the intensity of experience immediately transforms itself into action which becomes perilous for them, the artistic genius is capable of sublimating this great intensity in his work.

Alongside the most fundamental cause of art—the expressive dionysiac element—there must be a limiting apollonian force, for only so can the work of art be born. “Is there today a man who could stand the tempest of passions and visions that Shakespeare passed through and end his life as a sensible and retired bourgeois in his little town? I like to believe that by the mere force of overflowing imagination he, like Goethe, escaped the perils of overflowing imagination, that in depicting passion he succeeded, like Goethe, in quelling his own passion, that impetuosity did not explode in his verses, that his theater saved his life. . . . I like to believe, finally, that in his physical make-up and the rest he belonged to his great generation and his period; that in him, as in Raphael, Titian, Michelangelo and Rubens, the strength of the muscles was in balance with the sensitivity of the nerves; that in that period the human machine, more severely tried and more firmly built, could resist the storms of passion and the fires of rapture.”¹⁹

As Taine in these lines expressed his belief in the personal experience in art (how much every great work of art is bound up with the creative force of the individual), so also did he make clear his opinion as to the time when really great epochs in art can arise. All the eras producing numbers of great artists—the Italian Renaissance, the time of Shakespeare, of Rembrandt and Rubens—have been at a time when the natural forces in man were still untamed and, not having been entirely consumed in the struggle for exis-

¹⁹*Histoire de la littérature anglaise*, vol. 1, p. 291.

tence, were left free for activity in the higher spheres of endeavor, especially for artistic production. The world which heroic man made for himself he will now look at once more as a visionary in order to rejoice in it.²⁰

That is the meaning of the concept of moment introduced by Taine. It suggests at first that every stage of civilization immediately affects the following one. It was very important for Voltaire, for instance, to have built his dramatic edifice upon the foundation of classical tragedy.²¹ Taine pointed out that this law governs also the whole process of the development of culture. It was his opinion that the great periods of art can come into being only if the vital energies of life are no longer consumed by the effort to satisfy the ordinary requirements of life, but are left free for the mirroring of heroic action in artistic vision. In the course of the cultural history of a people that is the only moment in which a perfect balance between rationality and vitality can be achieved, a balance which alone produces, according to Taine, a higher culture. It is a time—and Taine did not weary of reiterating this idea—"d'un complet retour à la nature."²² The works of such an art differ from one another according to the race and environment which produced them. We have here the kernel of Taine's ideology. History is a process of progressive rationalization which leads from the instinctive human being, "l'homme naturel," to a weak and decadent period, "notre âge refroidi et triste."²³

The expression "l'homme naturel" is an abstract term. In reality, according to Taine, the "homme naturel" appears in the form of racial man. The racial man is, so to speak, the first form of existence of animal man, of "l'homme gorille." Taine's romantic naturalism rests here upon the scientific foundation of the Darwinian theory of descent. It is the physical environment which gives natural man his peculiar stamp. The profound difference between the Germanic, Hellenic and Latin types springs from this external force.

²⁰*Philosophie de l'art*, vol. 2, p. 82.

²¹*Histoire de la littérature anglaise*, vol. 1, p. xxix.

²²*Ibid.*, vol. 1, p. 253.

²³*Ibid.*, vol. 1, p. 253.

Race and Milieu

From this postulation Taine deduced two important conclusions, evident particularly in his *Philosophie de l'art*. The first: since racial man is the first form of existence of natural man his resistance to the influences of his milieu is very little, the effect all the more lasting (vol. 2, p. 100). The second: since the racial elements are the first form of existence of the animal forces, and since the real creative powers lie in those animal forces, it follows that a genius is great in proportion to the activity of those original and racial forces within himself—"plus l'artiste est grand, plus il manifeste profondément le génie de sa race" (vol. 2, p. 323)—and that every great culture that is not in harmony with national feeling is doomed to failure and sterility. A typical example is the Dutch school around 1520 which, under the leadership of Jean Mabuse, tried to imitate Italian painting and therefore produced nothing great. Italy, on the other hand, produced the artists of her Renaissance because the inspiration came from her own land and people (vol. 1, p. 143, vol. 2, p. 397).

Every genius embodies one of the latent characteristics of the people from which he springs. In him it emerges, to use the Aristotelian terminology, from potentiality to actuality, much as the plant emerges which is already preformed in the seed (vol. 1, p. 256). This is the so-called *faculté maîtresse*.²⁴ An example is Livy, who was but a frustrated orator whom the dictator Augustus had pushed into a field that was not congenial to his temperament. That the greatest historian of Rome was at bottom an orator demonstrates, according to Taine, that in him, as in every other representative of a people, a native gift of the people became manifest.

Thus the system of Taine exhibits a tendency toward the static, for in his opinion Rembrandt, Carlyle, Shakespeare and Goethe were all primarily manifestations of the Germanic man. But in his system the belief in a gradual trend is also to be discerned. In Marlowe, Shakespeare is already foreshadowed, just as Raphael is to be foreseen in Perugino. Great genius differs from great talent in

²⁴*Essai sur Tite Live* (1874) p. iv.

that racial traits are more predominant in the former than in the latter.

Taine sought to prove his theory of racialism in the cross-section as well as in the longitudinal, by showing that nations of the same racial stock still retain their unchanging racial heritage in their great representatives, despite the differences in environment which result in different art forms. He cited as an example (in *Philosophie de l'art*) the art of the Netherlands. Basically the Nordic lacks interest in external aesthetic form but is unceasingly absorbed in the attempt to penetrate the hidden mysteries of existence (vol. 1, p. 273). Yet the surroundings of a new country have developed in him perceptions which his brother in the east had never possessed—the sense of color and form (vol. 1, p. 301). And the sense of color itself varies according to differing climatic conditions, being different in the north and in the south, as evidenced by the palettes of Rembrandt and Rubens.

But despite the obvious differences between Rubens and Rembrandt, brought about by historic events and physical environment, both were only variations of the same racial family. Taine tells us in *Philosophie de l'art* that the characteristic heritage of both the Fleming and the Dutchman is to prefer “la chose réellement complexe, irrégulière, naturelle, à la chose rangée, épurée et transformée (vol. 1, p. 303), and that they do not wish to simplify nature but rather strive to depict it in all its complexity, even in its brutality. Is not this “besoin de la vie complexe” to be found in Rubens? Is not this tendency toward realism, which characterizes Shakespeare, the highest incarnation of Germanism, made evident in Rubens' pictures (vol. 2, p. 67)? Does not this ignoring of any artistic arrangement, as well as the brutal sincerity with which he depicts even animal sensibility, place Rubens in the same category with Rembrandt, the most profound of all the geniuses of painting (vol. 2, p. 63)?

The same may be said of the great men living within one nation—in spite of the differing spiritual environment to which their works bear witness. As it was a moment ago the physical climate, so it is

now the moral climate which Taine feels it necessary to introduce as an auxiliary conception. But here he was profoundly misunderstood, both by his followers and by his adversaries, who saw in this part of his system an attempt to explain the essence of the artist by his milieu and to see in the genius an empty power.

Taine believed that the milieu develops, never produces, greatness. He speculated as to what Cromwell would have become had he lived in other circumstances: a strict Puritan who would have ended his life as a rural lord. What would Mirabeau have become if another "température morale" had surrounded him?: a simple *gentilhomme*. Every great genius is a resultant of two forces, a subjective one which consists of enhanced vitality, sensibility and spontaneity, and an objective one, which assists these subjective forces to manifest themselves, putting on them a certain temporal stamp. The milieu is to the genius what the ground is to the seed: in the seed are to be found the elements of the plant; the ground is only the condition for their development.²⁵ In the seed are to be found the positive forces ("toute la puissance vitale"²⁶) which come from the racial qualities, since those qualities alone remain intact through the tempests of the centuries and are not subject to the change of time.²⁷ They are, so to speak, the substance which becomes incarnate in the genius. This is possible if the social structure of the time permits it; it is impossible if the spirit of the time and the spirit of the race are antagonistic.

Thus the genius is at the same time product and factor. He is a product since he himself and his work bear the stamp of a certain time, a certain milieu; he is a factor since he brings to his time the unchanging qualities of the race, which alone can give to a work its value and permanence. Every man bears the stamp of the time in which he lives; only the genius bears in addition the stamp of race.

The static aspect of Taine's theory has already been referred to;

²⁵*Philosophie de l'art*, vol. 1, p. 61.

²⁶*Ibid.*, vol. 1, p. 59.

²⁷*Ibid.*, vol. 2, p. 44; *Histoire de la littérature anglaise*, vol. 2, p. 18.

the anti-individualistic aspect is also unquestionable. In using the term anti-individualistic rather than a-individualistic it is meant that Taine did not disbelieve in the worth of the individual forces but regarded as of primary importance that which the genius has in common with his surroundings, rather than that which differentiates individuals from one another.²⁸ Therefore it is not astonishing that he did not present the Frenchman, La Fontaine, as a genius but that he regarded him as the embodiment of French genius.

Besides the anti-individualistic feature a passive one is also obvious. The spontaneity of the artist must be awakened. Although the powers of the isolated individual might be very great they amount to nothing unless they are stimulated by the buoyancy of the surrounding community. The creative act is born of the union of congenial forces. The genius is like a musical instrument, the keys of which must be touched that they may resound. The deepest and fullest harmonies are of racial origin.²⁹

In addition to its static, anti-individualistic and passive features Taine's theory of genius contains an outspoken point of view as to value. The factors of least variability—so he says in the *Philosophie de l'art*—are the most important, and the more a civilization expresses those factors of least variability the more importance and value may be attributed to it. We already know that Taine meant by those factors the racial factors. Of least value are those ephemeral works which, products of caprice, pass with the moment that created them, such as the works of Casimir Delavigne.

It is in Taine's attitude toward Racine and La Fontaine that this point of view is most clearly evidenced. In his curiously wavering attitude toward Racine and the age of Louis XIV in general we find a typical French dilemma. Now and then he seems to speak like one of the followers of Villemain saying that Racine, like Shakespeare and Sophocles, was a national poet, his greatness consisting

²⁸*Histoire de la littérature anglaise*, vol. 2, p. 27; *Nouveaux essais de critique et d'histoire* (1880) p. 211.

²⁹*Philosophie de l'art*, vol. 1, p. 5.

in being the faithful mirror of his society.³⁰ But if one reads more carefully it will be seen that behind this affirmative attitude which springs from French traditionalism there is concealed another which entirely rejects the great century and its artists. The "température morale," the spiritual milieu, could indeed bring forth only such an art, but the existence of such a milieu was, from the point of view of French civilization, deplorable, since it hampered the development of the national gifts of the Gallic people.³¹

Taine criticized the Latin civilization which was the dominant element in the life of the society around Louis XIV because it was not native but was grafted onto the parent stock and representative of only a certain class, thus bringing about a deep cleavage between the people and society. He found in this Latinized art all the features of Latin humanity:³² logical transformation of the chaotic plenitude of the world; arrangement according to a pleasing order; a simplification but also a leveling of life. The admiration that Taine felt for the harmonious, poised personality at the court of Louis XIV was dampened by his understanding that such a humanity had lost touch with the basic law of life—the test of everything great and eternal.

To this he contrasted one genius, La Fontaine, who to the imitative art of French classicism held up a model before which that classicism must fade: the national Gallic quality. In a fascinating way Taine demonstrated, in his book on that artist, how out of the physical environment a quite definite type of humanity arose: the witty, ironic, hedonistic Gaul who found his highest expression in La Fontaine (p. 13). Taine heard the eternal Gaul speaking in his works, whether one looks at the philosophical, epicurean content or at the form in which it is presented. To be sure, La Fontaine too was a child of his time, who caricatured the court and its society. Who does not recognize in the lion Louis XIV, in the fox and wolf the courtier, and in the ant the bourgeois? But the manner in which

³⁰*Nouveaux essais de critique et d'histoire*, p. 171.

³¹*La Fontaine*, pp. 60-64.

³²*Histoire de la littérature anglaise*, vol. 2, p. 53.

these characters were depicted was unique. In the style Gallic France speaks to us and expresses its opinion of life and humanity, a philosophy which, with its gay and hedonistic "amuseons-nous" temper, could have been born only in that part of France in which the Gallic character had remained pure—in the Champagne.

The genius of La Fontaine towers over that of Racine. The classic tragedy was a literary mode but La Fontaine, on the contrary, was a child of his age and people. He was a real national factor. Let Taine speak (pp. 350-55):

"We find a race that has received its character from the climate, the land, the food, and from the great events it underwent at its origin. That is the national soil, very good for certain plants but very bad for others, incapable of developing the seeds of the neighboring country but able to give to its own seeds an excellent sap and a perfect flowering. . . . Thus were born La Fontaine in the seventeenth century, Shakespeare in England during the Renaissance, Goethe in Germany in our day.

"For genius is only a developed power, and no power can be fully developed except in the country where it naturally grows and in those where education nourishes it and the public inspires it. . . .

"By this correspondence between his work, his country and his era a great artist is a public man . . . one can consider him as the representative and the embodiment of a spirit from which he receives his dignity and his nature. If this spirit is only a fashion and reigns only a few years the writer is a Voiture, if this spirit is a literary form and governs a whole era the writer is a Racine. If this spirit is the very root of the race and reappears in each era the writer is a La Fontaine."

The cool observer, Taine, is fundamentally no less dogmatic than his predecessors, for the method that he would like to see followed with scientific exactitude has as its background his predilection for the spontaneous, natural, animal and irrational. The dynamic feature of his system, the theory of milieu, derives from the determination of his own personality by the "température morale" of his own time. From his critical attitude comes its static aspect, the racial

ideology which believes in the persistence of innate biological forces in every people, regardless of modifications induced by a given era.

Germanic and Latin Nations

In regard to their talents peoples are differentiated from one another according to these innate forces. There are peoples whose original racial instincts are intuitive, visionary, artistic, such as the Germanics; there are others, such as the classical peoples, who are gifted only for systematic arrangement, methodical, logical procedure, and are henceforth sterile in the deepest sense of the word.

In his *Histoire de la littérature anglaise* Taine declared: "The more one studies the Latin races and literatures in contrast with the Germanic races and literatures, the more one arrives at the conclusion that the special and distinctive gift of the former is the art of developing, that is to say, of aligning ideas in continuities . . . he [the Latin] does not proceed like the others [the Germanics] by abrupt intuition but by logical deductions" (vol. 2, p. 108). And, in his chapter on Carlyle, "These inequalities fairly paint the solitary, energetic, imaginative German, a lover of violent contrasts confirmed in personal and gloomy reflection, with sudden up-wellings of physical instinct, so different from the Latin and classical races of orators or artists, who never write but with an eye to the public, . . . who are happy only in the spectacle of harmonious forms, whose fancy is regulated and for whom voluptuousness appears natural" (vol. 5, p. 240). In the same chapter Taine distinguished between creative and sterile races: "All minds take one or the other of these two routes and are divided by them into two special classes corresponding to opposite temperaments. In the first are the plain men of science, the popularizers, orators, writers, in general the classical ages and the Latin races; in the second are the poets, prophets, commonly the inventors, in general the romantic ages and the Germanic races. The mere popularizers would hardly invent."

Taine believed that Germanic man reached his highest fulfillment in the dramatic art of Shakespeare—at once the fullest mani-

festation of his people and of his generation—for in the man of the Elizabethan era Taine saw the rebirth of the primitive forces of the Germanic race. He called this epoch "l'expression du génie germanique."

His description of Shakespearean art reveals once more the static aspect of Taine's system. In his work on English literature he declared, "Hamlet c'est Shakespeare" (vol. 2, p. 258), and held Shakespeare to be the greatest representative of Elizabethan man, the Englishman in the full flower of his development, bearer of the eternal Germanic qualities which were brought forth under the influence of the Nordic climate as the first form of existence of animal man, "l'homme gorille." Taine's opinion about genius found its confirmation in Shakespeare: he was Germanic, and as such he experienced intuitively—embraced the universe in a total vision (vol. 2, pp. 164, 178, 192). The form of the theater of Shakespeare and his contemporaries Taine saw as typically Germanic, a form that existed not for itself but for the sake of what was to be expressed. And as well as in the form he saw in the confused arrangement of scenes—one short, one long, one tragic, one comic—a reflection of the chaos resulting from the diversity of nature as only the Germanic mind was able to understand it (vol. 2, pp. 54-55).

No other Latin has experienced Shakespeare so profoundly as Taine. He understood the philosophy and psychology inherent in the singularity of an extraordinary action (vol. 2, p. 259). In the gigantic clashes between the protagonists in the Shakespearean dramas he saw their author revealed; in the brutality of the action he felt sympathetically the tensions that produced it. And above all, that theater represented for him the seldom-attained union of the spirit of the time and the genius of the race: what the "température morale" of that time developed was "l'étrange et puissant génie poétique qui est dans la race" (vol. 1, p. 40), in which "la fleur dans le bourgeon" is already to be divined. Under the influence of a favorable climate this flower burst into full bloom and bore the name Shakespeare.

Taine's Pessimism

The deep esteem that Taine had for Shakespeare and his time proceeded from his views on the chaotic nature of man, on the power of the passions and instincts, on the weakness of the will.³³ Taine was a pessimist. According to his theory of the psychic mechanism (his psychology cannot be defined in any other way) the soul of the natural man is dark and wild, dominated by insurgent visions which, following upon one another, take possession of him and make him the slave of instinct. Progressive civilizations have subdued the chaotic, putting between impulse and action "le tissu entrecroisé et amolissant de calculs et de réflexions."³⁴ But can we unconditionally approve their work? Have they not transformed the monster into a tame, degenerate, domestic animal, "l'homme régulier, raisonnable, instruit, poli, bien élevé," whose feeble and ugly-looking body already shows signs of weakness and degeneration?³⁵ Has not enhanced spirituality resulted in a serious diminution of vital energies and weakened creative power at its source?

The development from primitive man to man as a rational being, from gloomy pessimism to an optimistic view of reality, from blind passion to a feeling for wellbeing, moderation and order, represents a development into the shallow, monotonous world of modern civilization. The classical Latin is capable of comprehending only this superficial order, since it corresponds to him racially. The real and powerful art of Shakespeare was born of the profound, typically Germanic, recognition of the frightening depths of reality: "Jamais la nature n'a été si laide et cette laideur est la vérité."³⁶ Occasionally these depths were tremblingly recognized even by the weak and enervated man of the seventeenth, eighteenth and nineteenth centuries when, during assault by the primitive forces of the soul (Taine was thinking of the French Revolution) the structure of civilization revealed itself in all its frailty.³⁷

³³*Histoire de la littérature anglaise*, vol. 2, pp. 39, 89, 159.

³⁴*Ibid.*, vol. 1, p. 14.

³⁵*Philosophie de l'art*, vol. 1, p. 83.

³⁶*Histoire de la littérature anglaise*, vol. 2, p. 203.

³⁷*Ibid.*, vol. 2, p. 159.

The recognition of the connection of great art with pain, of art as the revelation of the primitive suffering of the world, Taine shared with the young Schopenhauer apostle, Nietzsche, who invoked dionysiac forces to eradicate the spirit of Socrates, symbol of rational thinking. Also in Taine we witness the heroic struggle of a profoundly conscientious man for the meaning and values of true culture.

In Conclusion

This comprehension of the world by the *contrecoup* ascribed to genius was an anticipation of Bergsonian intuitionism, as was also the idea of a total embracing of the world by the artist in contradistinction to the discursive method of the intellectual. Since Taine placed the Germanics in the former category, the Latins in the latter, championing, as we have seen, the intuitive method instead of the logical, there follows naturally the subordination of the Latin character to the Germanic, which appears and reappears in Taine's entire work, like a leitmotif. Thus Taine aligned himself with those Latin thinkers since Tacitus who combined with their distaste for their own era and generation a correspondingly sincere admiration for the youthful, powerful, barbaric, with which they endowed everything Germanic. The external cause for this was probably the imposing rise of the Germanic curve, manifested by the achievements of English colonization, the German wars of liberation and the development that finally brought about the foundation of the German empire.

Thus there are three aspects to Taine's work. First, it contains an admonition directed to all nations not to forget their national heritage, since therein lies the root of every true art; this is obviously a German, romantic idea. Second, it contains a conviction; this conviction is a personal one—Taine's deep belief in the superior genius of the Germanic nations which induced him to identify "Germanic" with "artistic." And third, it gives us an explanation of Taine the historian and sociologist, of Taine the author of *Les origines de la France contemporaine*. It explains his passionate

rejection of Rousseau's optimism concerning the fundamental nature of man, and his dislike of the latter's *Contrat social*, gospel of the French Revolution and of political liberalism. For only when submerged in race, customs, tradition and country is individual man capable of being creative in the highest sense of the word. Hence nothing appeared to Taine more absurd than the individual free from all ties, suspended, so to speak, in a vacuum, who in pursuit of the vague phantom of liberty forgets his organic relationship to the national community. Thus Taine pointed toward those tendencies in France, first noticeable after the collapse of 1940, aiming at the liquidation of the "inorganic" work of the French Revolution and seeking direct reunion with the *ancien régime*.

Seen as a whole, the dilemma of Taine is simply the dilemma of the nineteenth century. The profound distrust with which this thinker, so much in sympathy with the analytical and scientific methods of his time, regarded analysis and rationality shows that he questioned, nay disavowed, the basis of the culture on which he stood. It is the same phenomenon which a generation later came to light in the work of Henri Bergson and Sigmund Freud, who although taking the side of reason finally despaired as to the possibility of reason ever entirely sublimating the instincts.

This self-suppression of the nineteenth century may be compared to the enterprise of the man in the tree who saws off the limb on which he sits. This self-suppression, which these three thinkers reveal to us in different but equally enlightening ways, seems to the meditative historian and backward-looking prophet of the middle of the twentieth century the first disquieting presentiment of the present world crisis, and perhaps a key to the comprehension of today's problems.

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REMARKS ON INTELLECTUAL LIFE IN SOUTH AMERICA

SINCE 1930 South America has been going through a period of unprecedented intellectual unrest. This condition has arisen from the depths of the collective conscience, as a result of the social upheaval and spiritual depression that have accompanied the economic and political crisis of the past decade.

In several South American countries intellectuals had for many years felt attracted by the concept of an abstract world, or at any rate one that is isolated from the surrounding reality. That period has now passed, and yesterday's minority of thinkers who were concerned with the immediate problems confronting their nation has become an overwhelming majority. The Spanish civil drama of 1936-39 brought to the boiling point social and political life all over South America and accentuated this trend, forcing a choice between the two opposing philosophies. National life, with its hopes and doubts, its pains and miseries, inhumanities and glorious deeds, is today the main stimulus for the writers of South America. Whatever the differences among writers—and they are vast—and among subject matters, attitudes and countries, a common element can be discerned: the nation of each is the "personage" that encourages the writer, be it to protest, to question or to voice his faith in her energies and in her historical destiny.

I do not intend to present a complete picture of intellectual life in the countries of South America, but only to draw the reader's attention to certain of its phenomena, to show some of the tendencies that illuminate from within the present tide of intellectual restlessness in those peoples.

The inner configuration of the soul of these countries is to be sought not so much in the academic books dedicated to sociological or political studies as in the works of essayists, fiction writers and poets. Like Spain, who has never revealed her genius through a purely rationalist thinker such as Descartes or Kant, but through a human symbol, Don Quixote, the countries of Hispano-America use symbols of flesh and blood rather than purely intellectual concepts. This is the reason for the enthusiastic reception given to so-called existentialism. Through this philosophical attitude it is possible to express in its full vital unity the paradoxes and contradictions, as well as the rational and irrational elements, emerging from man's inner spirit.

A prerequisite to a comprehension of South American psychology,

even more to an understanding of the Ibero-American spiritual contexture, is an understanding of this anti-intellectualist axiom: the deeper strata of cultural life are impervious to reason.

Throughout South America the wind brings us this message: a mortal winter has come for the body of ideas that have nourished us. Our hearts, no longer moved by them, without hopes capable of illuminating the inner horizon, yearn to hear the voice of a functional and living human ideal, an ideal of the spirit as a unity, not postulated but created by a strong love and a strong faith in which could be fused passion, will and reason.

The cause as well as the results of the revitalization of cultural life are evident all over South America. And judging by the vigor of the South American's faith in culture and his devotion to its intentional, reflective improvement and dissemination, far-reaching consequences may be expected in the near future. I feel that South America has begun to mature, and that the tragedy which the world is undergoing will accelerate the unfolding of her creative genius.

Whoever desires an inside view of the intellectual movement in Argentina must be ready to undertake a very hard task, for one of the characteristics of the countries of Hispano-America as a whole is their enjoyment of the elaboration of ideas and ideals and their creation of constellations of aesthetic, moral, religious, social and political values. The religious values are not so much in evidence as the others; or possibly this merely appears to be the case. Argentina is boiling intellectually and, as is always true, her philosophy and her literature reflect that situation best.

Those who are seriously eager to know the state of mind of that country should read the works of Alexandro Korn, who died in 1936 (three volumes, La Plata 1938-40). It was he who most stimulated the philosophical searchings of Argentina, and around him, a real educator, flourished a generation of thinkers. As a result of his fecund pedagogical labors, and the academic work of the Spanish philosopher Ortega y Gasset, the "Collegio Libre de Estudios Superiores de Buenos Aires" was founded. Here men of fine philosophical quality, such as Francisco Romero and Angel Vassallo, are relentlessly accomplishing an educational task of outstanding significance. Romero's book on *Filosofía contemporánea* (1940), a credit to the philosophical capacity and exceptional knowledge of the author, shows the influence exerted by German philosophy and the tendencies now prevailing in the academic milieu of Buenos Aires. The same can be said of the acute studies contained

in the work of Vassallo, *Nuevos prolegomenos a la metafísica*. This movement has begun to exercise a real influence also on the youth of Chile and Peru.¹

Literature, refuge of doubts and anxieties, of disappointments and eagerness, offers us in Argentina men as powerful as Eduardo Mallea and C. Martines Estrada. In the book of the former, *Historia de una pasión Argentina* (1937), one feels both doubt and faith regarding the mission of Argentina. Mallea's most recent work, *El sayal y la púrpura* (The sackcloth and the purple, 1941), is as rich in emotion as it is broad in ideas. This book is perhaps the best exponent of Argentina's best minority. Its spirit transcends the border of the author's country and speaks to the youth of all peoples submerged in a sea of anguish, perplexities and longing for a way of salvation. The book is a message to youth and a confession of the author's faith in the dawn of a new destiny, in which, says Mallea, the artist must play his role, taking on the qualities of the saints and the heroes. In this book may be clearly seen the religious "pathos" of a new generation.

A reader who opens Estrada's *Radiografía de la Pampa* (2nd ed. 1942) will be amazed to discover that it is a work of literature as well as a book on sociology and a philosophical interpretation of the history of Argentina. Yet it has a unity of subject matter, "La Pampa" territory, which is analyzed from many facets, each of them eternal. This is a work that will survive as the expression of a period of uncertainty—uncertainty about the meaning of the historical forces operating in the creation of Argentina's nationality, uncertainty about Argentina as a political entity with an historical mission. It is indeed a profound work, in which is revealed the conflict so evident, so urgent in Argentina, between her past optimism and her present hesitations.

The movement that these books represent is also exemplified by such reviews as *Humanidades* and *Nostros* and *Sur* (the latter edited by the brilliant essayist Victoria Ocampo) and several others published by the universities of Buenos Aires, La Plata, Tucuman and Cordoba. In these journals is reflected the impact of ideas and ideals on the minds of the

¹To the names cited above should be added those of Macedonio Fernandez, philosopher and poet of great originality (*Doctrinas estéticas de St. Agustín*, 1940), and Carlos Alberto Erro, one of the finest young thinkers of Argentina, completely devoted to the existentialist philosophy (see his *Dialogo existencial*, 1938, or his lecture *La filosofía existencial*, 1941). A general outlook on the historical process of philosophical ideas in Argentina is presented by Alberini in his informative and objective, though not wholly adequate, lecture delivered and printed in Berlin (1930), *Die deutsche Philosophie in Argentinien*; the published lecture has a splendid preface by Einstein.

spiritual leaders of Argentina through the last decades, and from them one may trace the course of the different intellectual streams.

But while Argentina is stressing the world of ideas and ideals this emphasis cannot by any means be interpreted as an attitude of disdain for the economic and material aspects of life. On the contrary, the performance of Argentina in these fields has exceeded that of any other country of South America. If in the last ten years it has been lessened, this is an indication that there is something wrong in the fabric of the economic society of Argentina. It seems to me that through books like that of the noted economist Alejandro E. Bunge, *Una nueva Argentina* (1940), and like *Argentina economica* (1940), so carefully worked out by the engineers, Rafael Garcia Mata and Emilio Llorens, certain abnormal phenomena in the present social stratification of Argentina become evident. Perhaps Argentina, as a society, has been suffering for a long time from a lack of historical perspective on the part of the state, which instead of acting as a spur to society has oppressed it with its own physical machinery and has semi-paralyzed the country's growth.

The books devoted to the study of social questions, public health, education, agrarian conditions and the like—Alfredo L. Placios, *El dolor Argentino* (1938), Jacinto Oddone, *La burguesia terrateniente Argentina* (1936), Juan Antonio Solari, *Parias Argentinos* (1940), and the important contribution of the sociologist R. Tissembaum, with his studies on the standard of living and his analysis of real and nominal wages, *El nivel de vida, su relacion con el salario en America* (Santa Fe 1939)—have illuminated many aspects of the real social conditions that literature has at times veiled with the smoke screen of irrepressible enthusiasm.

On the other hand a remarkable group of historians² not only has

²Argentinian historians, like those of the University of California, have contributed in an outstanding way to a new appraisal of the colonial task of Spain. In this respect the work accomplished by R. Levillier is invaluable; in addition to his own basic work on the viceroy, *Don Francisco de Toledo* (3 vols., 1935-40), he has collected the papers concerning the viceroys, governors and courts of the viceroyalty of Peru during the sixteenth and seventeenth centuries (over 25 volumes have already appeared). Ricardo Levene's *Investigaciones acerca de la historia economica del vireinato de la Plata* (2 vols., 1928), as well as his *Historia de la Argentina* (16th ed. 1939) are fundamental in this field of culture. What has been done by the "Instituto de Investigaciones Historicas de la Facultad de Filosofia Letras de Buenos Aires" is magnificent, and the work of the scholar Emilio Ravignani deserves to be stressed. Several other historians, such as Capdevila, Corbia and Gandia, have also made valuable contributions. For the interpretation of Argentine history two persons unquestionably merit the title of "Master": Ricardo Roja, historian of literature and great essayist; and Carlos O. Bunge, author of the famous *Nuestra America* (6th ed. 1918).

paved the way for an inside knowledge of Argentine history, but has made clear the purposes of the founders of the republic—Moreno, Rivadavia, Alberdi and Sarmiento—thus making it easy to compare the aims assigned by them for Argentina with the actual tempo of the country. It is through the analysis of their ideals for the destiny of Argentina that the means used by the state for the achievement of those ambitions should be evaluated. And it may be found that the framework of the state is today menacing the élan of the powerful intellectual life of Argentina.

How different is Brazil from Argentina! The wonderful country of Brazil appears to be preoccupied with the conquest of nature, with the subjugation of the jungle, rather than with pure and disinterested intellectual problems. Taking an expression *ad usum* we would be justified in saying that Brazil, at least for the moment, is an extrovert. Argentina and Brazil have different ways of looking at reality. Argentina is predominantly qualitative, while Brazil is primarily technical. In spite of the efforts made in Argentina to push youth into the economic and commercial spheres, social psychology resists the pressure and the upper classes follow the traditional humanistic line. Brazil, on the contrary, seems to be dominated by a passion to know herself, to know herself first of all externally—geographically, physically, ethnographically, sociologically—as a means of dominating nature.

This compulsion of Brazil's to master the luxuriant nature that gives the impression of trying to devour her cities is evidence of a life and death struggle between nature and technology. Consequently what has not succeeded in Argentina has triumphed in Brazil: engineering, tropical microbiology and geographic research have attracted a large part of the younger generation. The *Revista*, published by the "Instituto Brasileiro de Geografia e Estadística" and books issued under its auspices offer a type of literature as fresh and full of information about primitive societies and jungle life as has appeared in any country. Reading that literature one sees quite clearly the forces at work in Brazil, and why, with eyes fixed on the jungle and the immensity of her territory, she appears neither worried nor hesitant, neither faltering nor flagging, but determined to use ideas as instruments in forging her young nationality.

Abmir de Andrede, in the first volume of his *Formacao de sociologie Brasileira* (1941), reveals the development of sociology in the country from the beginning. The work is descriptive rather than theoretical and normative, thus making understandable the trend that even now dominates the cultural activity of Brazil. It is the morphology of society

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which has thus far fired her curiosity. Her scholars have made masterly analyses of the social effects of the economic distribution of crops and land. They have stressed the social repercussions, which are still being felt, of the suppression of slavery. The works of Gilberto Freyre, the most brilliant historian of Brazilian society, are an important contribution to an understanding of the development of the social structure of Brazil. The purpose of his masterpiece, *Casa grande e senzala* (The plantation house and the cottage, 3rd ed., 1938), is to explain through a thorough analysis of social facts the formation of the Brazilian family during the epoch of the patriarchal economy. Similar aims are explicit in others of his books, such as *O mundo que o Portugues criou* (The world created by the Portuguese, 1940) and *Regiao e tradicao* (Regions and traditions, 1941).

Historians, geographers and publicists have met these problems in the same way. Thus, for example, *Historia social do Brasil* (3 vols., 1939), by the acute and scholarly Pedro Calmon, has as its subject the natural development of Brazilian society. In contrast with Argentina, where *Las bases* by Alberdi and *Facundo* by Sarmiento have been for many generations sources of guiding ideals for the nation as a whole, Brazil has been and continues to be preoccupied with two topics. One is of a social-anthropological nature, the race that is coming, the Brazilian type; the other is social-geographic, the search for an administrative machinery able to coordinate organically the vastness of the territory and to provide a realistic foundation for the national economy as well as the national state.

When Oliveria Vianna published his *Evolucao da povo Brasileiro* (Evolution of the Brazilian people, 2nd ed. 1933) many of his admirers expected at least a brief analysis of the role played in that evolution by the ideas and ideals of Brazilian society. At that time, however, the author depicted merely a passive, receptive Brazil, rather than one animated by a new and creative purpose; what seemed to interest Brazilian society was only the internal organization, the methods to be used to avoid the centrifugal forces menacing the life of Brazil as a national state, and consequently the justification of a centralist policy to counteract these forces. But later the same author published *O idealismo da constitucao* (The idealism of the constitution, 2nd ed., 1939), and in this book, a vindication of the Charter of November 10, 1937, he praises the corporative organization as the real form of economic democracy. In the preface he holds it to be axiomatic that the problems of Brazil cannot be the same as those of Europe and the United States, because for the Brazilians "structure, organization and collective conscience"

do not exist. Thus the problem, he declares, is "to organize the sources of public opinion."³

We see that the central theme is always the same: the mastery and control of the physical and social body of the nation, the struggle for the preservation of Brazilian unity, so seriously menaced by many political, economic and international forces. Merely by looking at the map, and concentrating our attention on the largest and least populated jungle in the world, we can get an idea of why Brazilian intellectual activity has taken the path that it has. Of course this obsession with physical problems, this centralist and authoritarian ideal, cannot be followed to its conclusion without risking many political and moral values. "Geopolitical" factors contributing to the form of the state are more visible in Brazil than in any other country; in a certain sense Brazil is today an experimental field for what Ratzel in *Politische Geographie* described as "Der Staat als bodenständiger Organismus."

The strong and the weak elements in the Brazilian intellectual stream reach their climax in the work of the Minister of Justice, Francisco Campos' *O estado nacional* (The national state, 3rd ed., 1941). Nowhere in Ibero-America has a book against democracy and liberalism appeared that is so brilliant, so caustic, so intelligent and so dangerous. At times too rhetorical, at times obviously the direct result of the leading ideas of Nazism and Fascism, the book reflects not only the specific social-geographic problems that have absorbed the mind of Brazil but also the serious organic questions that run under the surface of her history.

Some of the essays intended to present a "continental projection of Brazil"—for example, Marius Travassos' *Projecao continental do Brasil* (3rd ed., 1938)—though grounded on geopolitical arguments (that is, following the prevailing naturalistic trend) are immature in quality. In contrast the studies by W. A. Feixeira de Frecitas in the *Revista Brasileira de estadística*, devoted to the administrative reorganization of Brazil, are the apex of the movement I have described.

Are these themes foreign to literature? By no means. Literature too is dominated by the magnetic attraction of the jungle, by racial questions, by the superstitions of Negroes, by the tragic feeling of destiny. Nature is the central personage, demonic and heroic, against which the human will protests, but is impotent. This is the import of Graca Aranha's *Canaan* (1902) and *A viagem maravilhosa* (The marvelous trip, 1930),

³To these studies should be added that of Caio Prado Junior, *Evolucao politica do Brasil* (Political evolution of Brazil, 1933), in which the author uses with great skill Marx's principle of dialectic materialism.

as well as of *Jubiabá* (1934) by Jorge Amado or the tragic *Água mãe* (Mother water, 1941) by José Luis do Rego. But occasionally, as in *A viagem maravilhosa*, the spiritual crisis of the younger generation also becomes evident. Great as Brazil is, she has not yet fulfilled herself as a nation. Like many other countries of America, Brazil is trying to define her own personality. She knows that a vast and fertile land is not enough to give birth to a nation, for a nation is the child of a style of life, not of nature.

The rest of South America has the same type of cultural conception as Argentina, but each country has absorbed Spanish and European culture as a whole in a very particular way. Sometimes this is because of the specific contributions the natives have made to the building of the present society, sometimes because of natural conditions, such as altitude, latitude, location, isolation of the settlers from one another by high mountains or jungles; and always with these factors is combined the influence of immigration and national policy. Doubtless what has been called *Weltanschauung*, a vision of life, a central point of view adopted for the building of a scale of values, is fundamentally identical throughout Hispano-America, with aesthetics, ethics and religion rather than economics and instrumentalism serving as the common sources for the feelings nourishing these values. Yet history has accentuated and is accentuating the variations among these countries. Thus Colombia, Ecuador, Peru, Chile, the "Altiplane," Paraguay and Uruguay show qualities that characterize them individually.

Colombia, the most constant and faithful to the ideals of liberty, the most observant of the legal imperatives of the state, and the most civilian of the countries of South America—the only one in which nobody knows the names of the generals—reveals these qualities also in her intellectual history. Colombia has always enjoyed the highest respect in Hispano-America, because of her humanistic traditions. Today her attention has been divided, and she has turned to the study of strict sciences, in which she has made great progress; but she continues her rich humanism.

If we wish to understand Colombian nationality the work of the psychiatrist Luis Lopez de Mesa, *De como se ha formado la nación Colombiana?* (How has the nation of Colombia been formed?, 1934), offers us a magnificent opportunity. His thesis is very illuminating as representing what I have called the central point of view for building a scale of values: the history of a country, he believes, is a drama of passion, of pains caused by the efforts to fulfil its own genius. Optimistic and dynamic, for many years Minister of Foreign Affairs, Lopez de Mesa has

tried to direct his country in the way of persistent action. And Colombia has heard his voice and recognized it, for it is the same voice, though with the admixture of many new nuances, as that of her founder, the great statesman Santander.

The educator, writer and diplomat, Samper Ortega, has collected in one hundred volumes, at the "Biblioteca Aldeana de Colombia," most of the intellectual fruits of Colombia from the days of her independence; but here one does not find the spirit of the present. This must be sought in the rich pages of the splendid *Revista de las Indias*, inspired by the great novelist, historian and thinker, German Arciniegas, some of whose books have recently been very carefully translated (*The Knight of El Dorado*, for example, translated by Mildred Adams, New York 1942). This writer represents the most distinguished type of essayist of South America. In each of his books—note not only the work just mentioned but also his vibrant and magnificent *Los comuneros* (The commoners, 1939) we find the same aesthetic aim: to make the historical instance or hero visible to the imagination through a colorful picture of the social milieu, revealing temperament and character, ideals and disappointments of society or individuals.

"The key question of our history is an anthropogeographic one, and the programs of our political parties should take this into account: the ruggedness of our territory, the climate that prevents large populations in some places, the colonial and Iberian ancestry." Thus speaks Antonio Jose Yregui in his Prologue to Engenio T. Gomez' *Problemas Colombianos—la unidad politica* (Colombian problems—political unity, 1941). In this book there emerges once more the same obsession that dominates so many thinkers of Ibero-America at the present time: land and man. The basic ideas of geopolitics flow silently and continuously through the literature as well as the sociology of those countries.*

**Educacion*, a bimonthly review published in Bogota, and the review edited by the National Archive, *Revista del archivo nacional*, should also be mentioned. And the *Anales de economia y estadistica* is a very valuable publication. *Diseño de la economia Colombiana* (The economic scheme of Colombian life, 1938) by the intelligent young professor, Antonio Garcia, is highly illuminating, and the works of Antonio Jose Uribe present an accurate picture of the problems concerning the international border quarrels in Central and South America. Certain recent books illustrate well the intellectual trends of the new university generation in Colombia, for example C. Augusto Vargas Cuellar, *Las nuevas tendencias sociales y el estado Colombiano* (1941), Eduardo Nieto Arteta, *Economia y cultura en la historia de Colombia* (1942), Leopoldo Lascarro, *La administracion financiera y el control fiscal en Colombia*. During recent months a work full of philosophical promise has been printed: E. Gamba's *El advenimiento del mito* (The coming of a myth, New York 1942); if the author is faithful to his ideals this book marks the advent of a thinker.

The social novel, introduced into Colombia by Jose Eustasio Rivera, in *La voragine* (The vortex, 4th ed., 1928), a grandiose as well as horrifying picture of the jungle and its psychological repercussions on the worker living there, is today represented by Eduardo Zalamea's *Cuatro años a bordo de mi misma* (Four years aboard myself, 1934) and Cesar Uribe Piedrahita's *Mancha de aceite* (Spot of oil, 1935). Here are described, in the most vivid language, not only life in the salt mines and the oil wells but also the effects of the "milieu" on the spirit of the workers.

Ecuador has two principal centers of intellectual life, Quito and Guayaquil. The latter inclines toward economic and commercial studies, represented by the work of a well prepared group of writers led by the sociologist Pio Jaramillo, author of the profound and stimulating *El indio Ecuatoriano* (The Ecuadorian Indian, 3rd ed., 1936), which without doubt is the most important sociological book thus far published in Ecuador.

The pages of this outstanding volume frequently supply us with dramatic facts, and facts that are not confined to the Ecuadorian Indians but are equally applicable to all the other countries of the Altiplano. Its author is such an authority in this field that there is no question as to the accuracy of his information, and his book is a fair guide for historians and statesmen as well as sociologists who contemplate the most agonizing problem of South America. Jaramillo is also the author of the best work concerning the historical process forming Ecuador's nationality: *La presidencia de Quito* (2 vols., 1938-39). This book deserves to be considered a classic in the realm of South American political literature.

The scholars and writers of Quito, dispersed like doves without a dovecote, suffering in their souls from the damage inflicted on their country by politicians, and viewing Ecuador's horizon with pain, have reacted with an almost elegiac tone. These young men are an unforgettable group, not only because of the terms in which they express their spirit, their clean conscience and high dignity, but also because they seem like characters in a Greek tragedy, convinced that they are victims of fate.

How satisfying it would be to know that this sensitive group in Quito had felt an internal quiver, a blooming of hope! To many Quito is today, like Cuzco, a challenge to the understanding; for, if I may be excused for expressing myself in somewhat excessive terms, though the words have deep meaning, I should say that Quito is a city with refined social groups, representatives of a high culture, but abandoned by

civilization. The group called "America" is most typical of the movement to which I refer.⁵

The municipality of Quito has done something in the field of history which has not been equaled in quite the same way in any other city of Ibero-America: its publication of 18 volumes containing perfect paleographic transcriptions of all the documents dealing with the sixteenth century. It was through the efforts of Jorge A. Garces that this task was accomplished. Another scholar of the Quito group who deserves to be mentioned separately is the sociologist Julio E. Moreno, whose *El sentido historico y la cultura* (The sense of history and culture, 1940) is theoretically and realistically a brilliant contribution to the social philosophy of South America and to the elucidation of Ecuadorian society.⁶

The gloomy spirit of Ecuador dominates also the other majestic and dramatic lands of the Altiplane—Peru and Bolivia. Their immense, naked and silent plains of singular beauty remain forever in the memory. We often forget the abnormal strain required in those countries for fruitful work, but in the plateau running through Ecuador to upper Peru and Bolivia generation after generation of thinkers, missionaries and artists have lighted the lamp of culture, that type of culture which impels one to find fulfilment as well as delight in contemplating a sunset or a picture or a work of sculpture, which is able to instil the best of the spirit in a poem or in reflection on a transcendent religious problem or on a theme about morality and justice.

But from Cuzco to La Paz and Sucre flows a stream of internal disquiet and discontent. Intellectual expression is full of compunction and nostalgia in Cuzco and Potosi, critical in Sucre, passionate and even bitter in La Paz and Cochabamba. Yet the ideals are always the same. In Cuzco *La revista universitaria*, official organ of the university, reflects perfectly the tone and themes that attract the group of historians, archaeologists and jurists working there.

⁵It numbers among its members such distinguished writers as Isaac I. Barrera, Gonzalo Zaldumbide, Benjamin Carrion, Raul Andrade, Alfredo Gangrotena. Among the better novelists of the younger generation of Hispano-America should be included Jorge Icaza, the author of *Huasipungo* (6th ed. 1940) and *Cholos* (1938). Violent realism and hunger for social justice characterize the feelings dominating the Ecuadorian younger generation. The review, *America*, now edited by Antonio Montalvo, Jorge Escudero and Ignacio Lasso, is democratic, liberal and humanistic. This group voices the hopes of Ecuador.

⁶His *Filosofia de la existencia* (1940) shows how attentively he has followed the philosophical movement of today, and also reveals the profound influence of Ortega y Gasset on the thinkers of Hispano-America. The pages of this book are entirely devoted to an analysis of the ideas of Ortega.

The scores of Bolivian writers are as powerful as they are unknown. They are familiar with the philosophical ideas that inspired the classics of yesterday and today, but occasionally the passion with which they express love and hope for a better present in their fatherland attains angry tones of exasperation and acerbity. This is true, for example, of Argueda, a sociologist, historian and novelist and always a writer of admirable vigor, who often falls into a despair that arouses protests in his own country. He is the author of *Pueblo enferme* (A sick people, 1909), of the *Historia general de Bolivia* (1922) and of the remarkable *La danza de las sombras* (The dance of the shadows, 1934), a book full of bitterness yet paradoxically saturated with a feeling of love and tenderness.

For the troubles of Bolivia Argueda blames the conduct of his countrymen, but another great writer, Jaime Mendoza, a physician and novelist who is fully alive to the social situation, shifts the emphasis to the physical aspect, to the Bolivian countryside. Mendoza—*En las tierras del Potosí* (On the lands of Potosí, 1911), *Páginas barbaras* and various articles about the geographic factor in Bolivian nationality—sees his country as the semi-impotent victim of her geography. As in a classic tragedy the wind, which throughout the centuries has buffeted the afflicted Indian, is the only one “to speak in the immense solitude and to break that silence of stone”; the wind had “taught him to be resigned, stubborn, strong and brave.”

Sadness, a feeling that the living are overshadowed by an indomitable nature, by destiny, is the keynote of Bolivian intellectual work. This feeling is distilled in the exquisite poems of Adela Zamudio and of Jaime Freyre, the religious poet, as well as in the pages of a fine and acute writer, Federico Avila; it induces the latter to remark in his beautiful and profound essay, *La tristeza y el dolor Bolivianos* (The grief and sorrow of Bolivia, 1935): “We are a grave, melancholy and tragic people . . . a country resigned and long suffering.”

But the new generation which, with Roberto Prudencio is publishing the *Kollasuyo*, an excellent and beautifully written monthly review, has more self-mastery, and in consequence it approaches the tragedy of the Altiplane with a very different attitude, with new methods and new moods. This group is enriched by the brilliant qualities of Raul Botelho, Raul Otero, Fernando Diez de Medina and Carlos Casasus, whose works would be an honor to the literature of any country. The subject of Bolivia's future is now being approached from historical, spiritual and sociological angles and with hope and faith. And the long-abandoned people of Bolivia are awaiting the day in which they may look to that

essential force in human life which will translate her ideals into reality, in so far as they are capable of realization.

Bolivia is geographically in the center of South America, and one can understand the anguished cries of a country that suffers not only from what Ronald Stuart Kain has rightly called claustrophobia, but also from the hostility of nature. But the Bolivians have enough talent to have defined the concrete personality of their country through persistent effort. This has brought about the University's renaissance under the guidance of the intelligent and energetic rector, Hector Ormachea, and the founding of the "Instituto de Sociologia" by Professor Arce as part of the University of Sucre. This impetus has also expressed itself in a project that will greatly change the country's economy when completed—roadbuilding from east to west. Bolivia is on the march, and some of her best citizens are trying to make her move on the right course.¹

Intellectually, as well as in daily life, Venezuela speaks a language of force and vigor. One can question whether the impetus is in the right or in the wrong direction, but that there is definitely an impetus is evident. The historian and sociologist Laurano Vallenilla has written a book of rare talent, *Cesarismo democratico* (Democratic Caesarism, 1919), in which he tried to explain dictatorship not only in his own country, but in general terms in all of Hispano-America, and through a deterministic method to justify it; the reasoning he used is of such force that notwithstanding the poverty of his basic ideas the historical thesis becomes very impressive. In the literature that is tinged with social philosophy Romulo Gallegos is not only the greatest name in Venezuela, but one of the best novelists in the Spanish-speaking coun-

¹Also of importance are the works of Gustavo Adolfo Otero, novelist and essayist; Eduardo Anse Matienzo's *El martirio de un civilizado* (The torture of a civilized man, 1935), the story of a civilized young man in the war against Paraguay in El Chaco; Oscar Cerruto's *Aluvion de fuego* (Torrent of fire, 1935); Augusto Cespedes' *Sangre de mestizos* (Blood of the halfbreeds, 1936). The books of Tristan Maroff, *La tragedia del altiplano* (The tragedy of the Altiplane, 1935) and *El ingenuo continente Americano* (The candid continent of America, 1921), are of real interest in both a political and a social sense. To Franz Tamayo, poet and politician, may be attributed a renovation of poetic themes, for he is a herald of Indian rights and an apologist for native culture. A young writer, Augusto Guzman, in his *La sima fecunda* (The fertile abyss, 1934), has richly described the Yunga field of the Coca. The social conditions of workers in the Altiplane of Bolivia have been analyzed by two specialists of the Labor Department of Bolivia, Remperto Capriles and Gustavo Arduus Eguia, in a very important book, *El problema social en Bolivia, condiciones de vida y de trabajo* (1941). The "Instituto Tihuanacu de Antropologia, Etnografia y Prehistoria" has published the important work of Arthur Posnausky, *Antropologia y sociologia de las razas interandinas y de las regiones adyacentes* (1938).

tries today. His qualities as a thinker and his talents in painting character and depicting landscape, as manifested in *Doña Barbara* (1929, translated 1931) or in the affecting *Canaima* (4th ed. 1936), have a common origin, an abounding energy that is quickly communicated to the reader. These same qualities are to be discovered also in the vibrant pages of Jose Rafael Pocaterra's *Memorias de un Venezolano de la decadencia* (1923-28).

Sociology is represented in Venezuela by Ramón Diaz Sanchez, author of *Ambito y acento* (Demarcation and accent, 1938), an interpretation of the society and spirit of Venezuela, and by the well known Jose Gil Fortoul, who has made magnificent contributions to the constitutional history of Venezuela and to its political sociology.

On the Pacific coast are Peru and Chile, neighboring countries of very different temperaments. Peru, both old and new, is not easy to understand, for half of her is now mute, though not dead or deaf or psychologically remote from the historical scene. She is refined, polite, exquisite, but the country is undergoing the results of a psychosis of fear in the ruling classes. Consequently, at present, it is vain to seek in Peruvian culture the questing spirit that dominates Argentina, the impetus of Brazil, the steady determination of Colombia or the cultural vitality of Chile. But even in these unfavorable circumstances Peru proves to be very much affected by the present agitation in her cultural life.

To understand Peru one must recognize the active presence of those native traditions so vividly described by archaeologists like Tello, Director of the Museo of Magdalena Vieja, and Valcarcel, Director of the Archaeological Museum of Lima. One must know also what is felt in Cuzco, the emotional vestiges of the Quechua, so full of melancholy, nostalgia and sadness. Peru is still receptive to the last echoes of traditional philosophical and aesthetic ideas, and she is more alien to the pragmatic style of thought than any of the other countries of Hispano-America. She symbolizes in beautiful form the inner impulses of the peoples of South America, with their great proportion of Indian blood and large absorption of Spanish cultural and physical inheritance. Whoever aspires to understand South America should reflect on these specific notes. Otherwise time may be wasted in skimming the surface.

But precisely because Peru expresses a vital conflict, an unresolved dualism, we must study also the voices of today. The ideological leader of the actual Peru in a purely cultural sense is the former professor Alejandro D. Deustua, master of philosophical thought and author of the collection of essays entitled *La cultura nacional* (1937). This book

reveals an unusual knowledge of the ideas of his time, and in addition a great boldness of spirit in analyzing the soul of his country—qualities that mark him as an indisputable guide for youth.

The sources and aims of Peruvian thought are highlighted also in the discussions between Mariategui (*Siete Ensayos*, 1928), who makes a Marxist interpretation of Peruvian history, and Belaunde (*La realidad nacional*, 1931), who tries to refute it; and in the recent polemic between Belaunde and Alberto Ulloa concerning the same problems. A study of these controversies provides a rich understanding of the historical background of the country. And only with such an understanding can one comprehend the great and aggressive mind of Riba Arguero, the struggling, warring style of the great Peruvian historian Raul Porra, the bitterness instilled in Ciro Alegria's profound *El mundo es ancho y ageno* (Broad and alien is the world, translated 1941), the equitable temper and lofty level of the books of Jorge Basadre, whose history of Peru is now in course of publication.⁸

But the most profound social and political movement that has come out of Peru's dualistic background, in fact the most important that has appeared in Ibero-America since her independence was won, is evident in the program of the APRA (Association of Revolutionary Parties of America). The explanation of this movement by its creator, V. R. Haya de la Torre, in *El Antiimperialismo y el Apra* (Antiimperialism and the Apra, 2nd ed., 1936) cannot be ignored by those who wish to know what a native South American leftist movement thinks about itself, and what

⁸As far as I know, the best journals through which to follow the flow of Peruvian cultural life are *Chaski*, of the Peruvian Association of Archaeology; *Nueva revista Peruana*, a bi-monthly review; *Mercurio Peruano*, a monthly; and *Revista de la universidad catolica del Peru*. I do not know whether the *Nueva revista Peruana* is still published, but it was the best review of Peru and one of the best in South America. In it can be found some of the finest philosophical essays of Mariano Iberico, an acute thinker; the excellent critical notes of the historian Jorge Basadre; the chronicles of Aurelio Miro Quesada, one of the Peruvian writers who has made the greatest effort to make Peru understandable by showing the interrelations of geographic, historical and artistic phenomena (see his *Costa, sierra y montana*, two series, 1938). Peru, with her complex traditions, has created a school of folklore students, and from them emerges a figure, full of intellectual charm, Jose Galvez, author of *Una Lima que se va* (A Lima that is passing, 1921) and *Estampas Limeñas* (Lima sketches, 1935). In the field of pure economics Emilio Romero's book on the economic geography of Peru (1939), and also his works on the financial history of Peru, merit recommendation. Peru's international attitude has been described at length by Alberto Ulloa in his historical study, *Posicion internacional del Peru* (1941). The Institute of Social Medicine of San Marcos University, Lima, has edited the most important monograph, so far as I know, about the races in the Peruvian jungle: *La selva Peruana*, by Carlos Enrique Paz Soldán and M. Kuczynsky-Godard (1939).

effect the suspicions dominating this group have or can have on relations with the United States.

Lively Chile, virile and resolute Chile, is more eager than the other countries of Hispano-America to equilibrate science and the humanities. The difficult task assigned to her by destiny, complicated by her geography and her history, has inspired the Chilean writer, Benjamin Subercaseaux, to publish a delightful book called *Chile o una loca geografia* (Chile or a mad geography, 2nd ed. 1941). Its main charm comes from the author's attitude, looking now at the earth, now at man, and resolving in a unitary psychological explanation, by no means dogmatic, the life of both earth and man.

The people of Chile work hard on land and sea, as farmers, as miners and as sailors, and they are looking for a new means with which to counteract the poverty of their country. But at the same time, being both an intelligent and a restless people, they feel the complexity of their historical prospects. Chile has been a nation of action without ceasing to be a country of ideas; her people have the spirit of adventure, and in so far as they are realistic, they believe in the substantive value of concrete aims. The temper of Chile is reflected in her intense university life. The University of Santiago is the Hispano-American university par excellence, as is proved incontestably by the fact that one thousand out of seven thousand students registered in the last academic year came from other countries of South America. This university is one of the guiding centers of the cultural life of Hispano-America.

Characteristic of the mood of Chile is the interest with which her thinkers are seeking to explain and resolve the vast world of problems presented by the physical makeup of the nation and the psychological uneasiness of its spirit. They publish books as rich in concrete historical content as Ernesto Greve's *Historia de la ingeniera en Chile* (1938) and as fine as *Los orígenes del arte musical en Chile* (1941) by Eugenio Pereira. The spiritual and intuitive group of poets called "The Ten" includes the fine Enrique Molina. Chile has the honor of being the native land of Gabriela Mistral, the best woman poet living in Ibero-America today, and of the leading woman in the educational field, Amanda Labarca, author of many books, including the splendid *Historia de la enseñanza en Chile* (History of education in Chile, 1939). It is symptomatic of the general impetus in Chilean life that Chile is the South American country in which women are taking the most vigorous part in cultural and political activities.

Chile has historians brave enough to reevaluate every chapter of her past: Francisco Antonio Encina, for example, who is author of *Historia*

de Chile (1940); or Ricardo Donoso, Director of the National Archives and author of the excellent monograph on the great viceroy of Peru, Don Ambrosio O'Higgins. In another field of inquiry there is the important economist Daniel Martner, author of a *Tratado de politica economica* (1941) which is one of the best manuals for universities so far published in South America. Alejandro Alvarez is Chile's foremost authority on international law, and many of his books have been translated into several languages.*

Paraguay and Uruguay, countries with the same language and not far from one another, have very different attitudes toward life and culture. The former, an inland country like Bolivia, strong, rich, underpopulated, warlike and brave, with a population that the ethnographer and statistician Kuczynsky has estimated at 10 percent white and the rest Creole or Indian, lives under a romantic movement which exalts the Indian and the native language, "Guarani." This attitude is reflected in the literature, which emphasizes the social and political aspects of the country; splendid examples are Natalicio Gonzales' fine article on "Bases y tendencias de la cultura Paraguaya" (in *Cuadernos Americanos*, Mexico, no. 5, 1942) and Jose A. Gelly's *Paraguay, lo que es, lo que ha sido, le que sera* (What Paraguay is, has been and will be, 1926).

Uruguay, on the other hand, is by tradition a highly intellectual country, and is so even now, though she has lost some of her most outstanding personalities—for example, Enrique Rodo, the author of *Ariel* (1899-1900), which should be read by every American who wishes to know the prevailing judgment passed on North America by the South Americans; and the great novelists Freyre and Horacio Quiroga, who is sometimes called the Poe of South America. Today Vas Ferreira repre-

*The *Revista Chilena de historia y geografia*, edited by Donoso, the publication by the "Imprenta Universitaria" of a work on the historians of Chile and of documents concerning national history, the monographs published by the chairmen of seminars of the University of Santiago, are further examples of the intellectual activity of the country. Social unrest in Chile is depicted by many excellent writers, among them the novelist Eduardo Bello (*El roto*) and Jose Santos Vera, who has written an admirable social picture called *Vidas minimas*. The articles in the official journal of the School of Social Service, written almost entirely by women supervisors, also suggest the extent and intensity of Chile's unrest. A Chilean specialist, Moises Poblete Froncoso, has made the best studies analyzing social conditions of workers in the Altiplane and, in general terms, of the workers of all Ibero-America: see especially his *Condicions de vida y de frabajo de la poblacion indigene del Peru* (Geneva 1938), published by the International Labour Office, and his recent and illuminating *El standard de vida de las poblaciones de America* (1942). Political literature is abundant and excellent; I consider Carlos Vicuña a master in that field, and his *En los prisiones politicas de Chile* (1932) and *La tirania en Chile* (2 vols. 1939) are particularly significant.

sents the peak of Uruguayan intellectual life; he is a great thinker and is author of the profound *Fermentario* (1938). Although Uruguay is now concentrating on problems of public economy, social policy and administration, she retains in every field the high level that has made her famous.

In these remarks, scattered though they are, I have intended to suggest the cultural theme prevailing in the South American countries today. And my reason for attempting this is that an understanding of a country can be attained only by exploring the most intimate psychological springs of its culture. Never will South America be understood if we continue to consider her principally as a political and economic problem for the United States. These aspects must be regarded merely as the corollaries of a truth that is much more profound—the internal organic unity of the spirit of those societies. Consequently emphasis must be put on the effort required to understand emotions, ideas and facts as singular manifestations of the living unity of that spirit.

Crossing the lands of South America from Panama to Buenos Aires, from Lima to Rio de Janeiro, from Quito to Potosi, I have felt the strange and tremendous power of land, air and light. I have felt how that power exalts telluric elements and stresses the value of a language that is ineffable and untranslatable in words but a positive factor in the soul of South American societies. Crossing these lands, whether jungle, *puna*, *pampa* or desert, I have always felt myself under the dominion of a nature that is majestic and mysterious.

FERNANDO DE LOS RIOS

EQUALITY AND PROSPERITY

THIS paper attempts to restate in simple terms the implications of recent economic analysis¹ for the relationship between prosperity and the personal distribution of incomes. Orthodox economic theory, assuming conditions of perfect competition, maintained that there is in the economic system an inherent tendency toward the establishment of full employment of resources. The rate of interest was supposed to be the balance wheel which maintains this tendency toward the desirable equilibrium. Under realistic assumptions, however, this thesis does not hold good. It can be shown, in fact, that the personal distribution of incomes represents an important balance wheel in the economic system.

Following the terminology used by D. H. Robertson, "savings" is used in this discussion in the meaning of monetary ex-ante savings, in other words, as that part of the current money income of individuals which is not spent on consumer goods. "Interest rates" shall be referred to, rather than "the rate of interest," just as we speak of "wages and prices of materials" rather than one fictitious "wage" or "price of materials."

In order to produce a certain amount of consumer goods a certain expenditure on capital equipment is required, the ratio depending on the state of technology and on the rate of growth. The reward to the factors of production (disregarding business savings) accrues to individuals as current money income. This current money income is either spent on consumer goods or saved. A tendency toward full employment exists in a country only if expenditures on consumer goods take all produced consumer goods off the market, and if all savings are needed to finance expenditures on capital goods, that is, if they are invested.

The manner in which interest rates were supposed to fulfil the function of maintaining a tendency toward full employment is, briefly, as follows. On the credit market savings represent the supply of credits. Funds required for expenditure on equipment (investment) represent the demand for credit. Interest rates as a balance wheel are supposed to equate supply and demand. If supply of and demand for credit are not equal, at the prevailing rate of interest, a change will establish this equality. A decrease in the rates of interest will induce individuals to

¹See, in particular, John Maynard Keynes, *The General Theory of Employment, Interest and Money* (London 1936) especially pp. 372-73; Joan Robinson, *Essays in the Theory of Employment* (London 1937) especially pp. 139-52; J. E. Meade, *An Introduction to Economic Analysis and Policy* (American ed., New York 1938) especially pp. 246-64; Harold G. Moulton, *Income and Economic Progress* (Washington 1935).

save less and will induce firms to make additional investments. An increase in the rates of interest will induce individuals to save more and will induce firms to cut down on their investments.

Let us consider now why under realistic assumptions, including the assumption that business transactions are carried on under varying degrees of monopolistic competition, rates of interest do not fulfil this function ascribed to them in orthodox economics.

Individuals do not save primarily in order to obtain interest. They save because they prefer retaining part of their current income in monetary form rather than spending it on consumer goods. The interest payment is merely the incentive to lend the saved income to others rather than keeping it in cash.

The volume of savings is related to the income distribution. If we regard savings habits as given, individuals with a large income save a larger proportion of their income than individuals with a small income. In the country as a whole the principle is valid that the more unequally incomes are distributed among individuals the greater will be the tendency to save. The more equally incomes are distributed the greater will be the tendency to spend current income on consumer goods.²

Given a certain income distribution, individuals will save more when interest rates rise and will save less when interest rates fall. They may still save, however, even when prevailing interest rates are at zero.

Nor is the demand for credit, that is, the volume of funds required for capital expenditure, determined primarily by interest rates. Firms will expend funds on capital equipment if they expect that receipts from the sale of consumer goods produced with the equipment will exceed costs. The interest payment is only one of several cost items, and a small one as compared with the cost of labor and of materials. Expectations as to receipts depend on expectations as to the demand for consumer goods. This demand will be determined by the rate at which individuals will spend their money income rather than save it, and this rate in turn depends, as we have seen, on the personal distribution of incomes. Furthermore, firms will not make additional investments if they expect to have a more profitable opportunity for expenditure at a later date. The role of expectations of a cyclical character will be discussed presently.

Interest rates can go up a long way but they cannot fall below zero. When there is a need to stimulate spending and to restrict savings, the interest rate mechanism will function only in so far as the adjustment

²See National Resources Committee, *Consumer Expenditures in the United States* (Washington 1939) especially pp. 53-56 and 181-84.

can be brought about at positive rates of interest. When interest rates of less than zero would be required to bring about a tendency toward full employment, the mechanism fails.

From the foregoing discussion it follows that the personal distribution of incomes is an important determinant of both the supply of credit (the rate of saving) and the demand for credit (the rate of investment, geared to expectations as to the rate of spending on consumer goods). In the one case it is the existing distribution, in the other case it is expectations as to the future distribution, that determines basic economic decisions. The income distribution changes slowly, however, and it is therefore safe to assume that expectations with respect to it are based on the existing distribution except when radical economic policies are impending.

In order to produce a tendency toward full employment, incomes must be so distributed that individuals will save just the amount required at the prevailing state of the arts to finance the capital expenditures necessary to produce the amounts of consumer goods which individuals can buy with that part of their incomes which they do not choose to save. Let us call this pattern the "optimum income distribution."

When incomes are distributed more unequally than the optimum income distribution would warrant, a tendency exists to spend less and to save more than is required to keep the country at the level of full employment. A tendency toward unemployment will therefore prevail. Idle funds will exist, only to be wiped out ultimately as "losses" due to economic stagnation.

When incomes are distributed more equally than the optimum distribution would warrant, a tendency exists to spend more and to save less than is required to keep productivity at a high level, even though such a pattern does not interfere with a tendency toward full employment. With the supply of credit tending to be below investment needs as they seem justified by the current high demand for consumer goods, interest rates will be high and it will be profitable to use more labor in relation to capital equipment than would be indicated by the state of the arts on the basis of the available resources. The excessive expenditures on consumer goods will be offset by rising prices or, to put it differently, by a low productivity, a lower than optimum output of goods and services in the country.

Therefore it is only with the optimum income distribution that there can be a tendency in the economic system toward both full employment and high productivity, and hence toward a high national income.

Control of income distribution must aim at approximating it to this optimum pattern. This control is a matter of government economic policy, since there is certainly no tendency in the distribution of incomes to assume the optimum shape, even if we do not subscribe to Pareto's "law" that there is always a tendency toward a particularly shaped unequal distribution.

Taxation is the most direct instrument for adjustment of the income structure. Hence it becomes necessary to subordinate taxation policies to economic principles rather than to consideration of revenue only. This suggests a policy of wealth taxes rather than of income taxes. Incomes are received as a reward for the contributions of the several factors of production, a function making for the most economic allocation of resources, and income taxes can never exceed certain limits if they are not to interfere with this function. If it is necessary to exceed these limits in order to approximate the optimum distribution of incomes, the taxes could set an upper limit to the property that may be owned by any one individual. In a country such as the United States at peace, this upper limit could be a very generous one, and hardly as much as one percent of the population need be affected. In this manner the personal distribution of incomes would be changed without interfering with the functional distribution of incomes.

Thus far we have considered only one aspect of individuals' decisions to save part of their incomes and spend part on consumer goods, the aspect that is related to the size of income and hence to income distribution. Cyclical fluctuations as determining individuals' decisions have been disregarded.

In modern capitalistic countries individuals and firms, by way of generalization, form certain expectations from the movements of the individual price and production data. These expectations, which are either optimistic or pessimistic, influence individuals' and firms' decisions with respect to spending and saving, by introducing a speculative element into their behavior and by inducing them to time their purchases, or orders, in a certain relation to the phases of the expected "business cycle." An individual with a money income that is stable through all phases of a business cycle will spend a larger part of his income on consumer goods (especially durable consumer goods) during the upswing than during the downswing. Firms will time their expenditures for equipment and for storage in an even more speculative fashion. These behavior patterns exist, regardless of the personal distribution of incomes in the country. Even if that distribution conforms with the optimum pattern described above, and therefore admits of a tendency

toward full employment, the timing of purchases on the basis of cyclical expectations will remain a source of economic maladjustments and will have to be dealt with through specific business cycle policies (credit and price policies, public works programs and the like).

For purposes of economic analysis it seems desirable to distinguish clearly between those maladjustments in the spendings-savings balance which are due to the personal distribution of incomes and those which are due to the effect of cyclical expectations on the decisions of individuals as to the disposal of their money incomes. It is necessary to distinguish also between economic policies designed to offset maladjustments in the income distribution and those designed to offset the disturbing effects of cyclical expectations.

The contention that the personal distribution of incomes occupies a strategic position among the elements determining the functioning of the economic system coincides with the notion of the man in the street that unequal distribution of incomes, or the existence of very rich and very poor people side by side, must have something to do with the economic ills of the times. Orthodox economics succeeded very well in spreading the belief that the personal distribution of incomes is irrelevant to the problem of prosperity. It taught that whatever the income distribution might be, the interest rate mechanism would always maintain a tendency toward full employment, provided only that the orthodox assumption of perfect competition was realized and that the orthodox conceptions about basic patterns of business behavior were correct. In the light of recent economic analysis, however, control of the personal distribution of incomes, along with control of the elements that determine cyclical expectations and with control of monopolistic competition and of the exchange between countries, becomes a key element in a responsible economic policy.

WERNER BAER

New York City

BOOK REVIEWS

TIMS, RICHARD WONSER. *Germanizing Prussian Poland. The H-K-T Society and the Struggle for the Eastern Marches in the German Empire, 1894-1919*. New York: Columbia University Press. 1941. 283 pp.; index, bibliography, appendix 26 pp. \$4.25.

The problem of minorities dominated internal political discussion in Europe long before the First World War. At that time it became a matter of international importance, and the Treaty of Versailles laid the foundations for a new policy concerning the treatment of national, racial and religious minorities, under the control of the League of Nations. In the present war the Nazi regime has tried to find a solution of its own—a very simple and radical solution indeed—by deporting all subjects of Polish origin from areas regarded as “German soil,” and by “repatriating” persons from areas outside the established German borders, settling them in provinces annexed to Poland after the war of 1914-18. By this unprecedentedly ruthless procedure the Nazis have tried to accomplish the Germanization of the eastern marches, which was begun by the German empire. It is not a real solution, however, and will certainly bring up a number of new problems. Therefore it can easily be forecast that after a victorious war the question of minorities will again play an outstanding role in general political discussion.

To this question, particularly in regard to Poland, Richard Wonsor Tims has made the contribution of a very careful historian, giving the facts and analyzing their repercussions. In a most instructive manner he shows the efforts of the German empire between the years 1894 and 1919 to Germanize the eastern marches populated by the Polish minority, and the resistance of the Poles. As these efforts were inspired mainly by the H-K-T Society—so called after its founders, Hansemann, Kennemann and Tiedemann—an association of German patriots (as they styled themselves), the book deals largely with the various methods developed by this society, and their results. The facts presented are complete, the conclusions are well founded, and the book is well and interestingly written. The reader who desires an accurate picture of facts, figures and the whole background of German minority policy during this period will scarcely find a better source among English-language publications.

But to those familiar with this part of German history the book adds nothing new. The facts and problems discussed by the author have long been extensively dealt with both in German and in Polish literature, and the judgment of history regarding this German experience, which

ended in complete failure, needs no further confirmation. The chapter of the German minorities policy under the German empire is closed.

What is not closed is the discussion of a real and constructive solution of the minority problem. In regard to this subject it would be timely and useful to study the very sincere effort toward a liberal and fair treatment of the Polish minorities which was made by republican Prussia after the First World War, on the basis of viewpoints strictly opposed to the attitude of the imperial government of Germany.

New York City

HERBERT WEICHMANN

GRAEBER, ISACQUE; BRITT, STEUART HENDERSON; AND OTHERS. *Jews in a Gentile World: The Problem of Anti-Semitism*. New York: Macmillan. 1942. 432 pp. \$4.

Anti-Semitism is becoming more and more a vital issue of American life. It is increasingly recognized as not an isolated problem but a symptom of a generally critical state of mind and social condition. The classical scapegoat character of the Jews is not the most important aspect of the situation. To be sure, whenever anything has gone wrong the Jews have had to bear the brunt: they have been the ideal objects of a "displacement of aggressive urges," of a subconscious "projection of unacceptable attitudes" on the part of the aggressors. What is more important, however, and usually overlooked, is the fact that this latent disposition among the Gentiles, in order to become actual hostility, has always had to be deliberately stirred up by particular interested parties—Roman officials, the Church, the princes, feudal, nationalistic or capitalistic demagogues. This has never, of course, been so obvious as it is today, when everywhere the fascist and fifth column movements within the democratic countries have started their activities with anti-Semitic drives. Thus it may be useful to make a clear distinction between the latent chronic disposition of large sections of the Gentile populations to hostility toward the Jews, and the state of actual virulence of this hostility, which is nearly always brought about by purposely staged incitement.

Concerning that latent disposition the remarkable collection of studies edited by Isacque Graeber and Steuart Henderson Britt presents abundant facts, arguments and interpretations. It is, indeed, a true compendium of the various ways of approach to the problem. The main stress appears to be laid on the social-psychological point of view, the very core of the book being the excellent field-psychological paper by J. F. Brown ("The Origin of the Anti-Semitic Attitude") and the three field

studies concerned with the development and the social-economic structure of American Jewish communities in typical eastern and midwestern cities. These studies are conducted along the lines of Robert and Helen Lynd's *Middletown*. Other sociological and psychological articles, such as those of J. O. Hertzler, Talcott Parsons, Ellis Freeman, Everett V. Stonequist, present additional aspects of the problem, all of them, however, converging on the basic theory of J. F. Brown which, in a most appropriate way, applies psychoanalytic categories to sociological conditions.

According to this interpretation anti-Semitism is but a special form of general psychic disturbances in the functioning of the social organism. "The process of social evolution has been the process of domesticating the basic biological urges." This domestication has necessarily developed frustrations, and repressions of vital urges into the unconscious, from which they seek an illegitimate outlet by various psychological mechanisms: displacement, projection and rationalization. What singles out anti-Semitism, and makes it particularly conspicuous among all group antagonisms, makes it, indeed, into a permanent phenomenon, and a model case of the displacement of inhibited social emotions, is the unique social character of the Jews. This social character is explained by their constitutional and worldwide minority position; and all its implications, such as inferiority complexes and ensuing overcompensation, are attributable to the internationality of the Jews and their intrinsic connection with Christianity, the latter leading to their becoming a natural target for displaced recurrences of paganism among the Gentiles.

This last point, the indissoluble connection between Judaism and Christianity, which is particularly stressed in the articles of Joseph W. Cohen and Carl Mayer, exposes the limits of the otherwise striking social-psychological interpretation; it transcends the range of that interpretation and restricts its validity. But this connection appears to me to be the crucial point of the whole problem. It is this point that makes anti-Semitism a concern, and a test, of our whole civilization, which is an essentially Christian civilization. The religious impulses of the Jews are what constitutes their "racial" or biological individuality. To be sure, a displacement is going on within Jewry itself, by which inherent religious urges are diverted to profane ends, but these religious impulses themselves are ineradicable. And while they may be used most effectively for the goals of a genuine Christian and human civilization which has been partly shaped by Judaism, and to which Judaism inherently tends, they will always remain an offense and annoyance to

any kind of national or social particularism. They are the one insurmountable obstacle to an integral assimilation.

Even an external integration of Jewry into the Gentile world is difficult enough, as it is a two-sided process. It is to demand the impossible if one asks the Jew, as J. O. Hertzler does, to "consciously remove characteristics of behavior which are recognizably Jewish," to "cease being a member of world Jewry even unconsciously," and even to "thrust himself into the background in his economic activities and never allow himself to be . . . conspicuously successful as a competitor in any occupation or profession," "to be absolutely sure . . . while disappearing as a Jew, that he does nothing or allows no chance thing to happen that might arouse any of the age-old Anti-Semitic prejudices or attitudes of Non-Jews." No human being can possibly forget his distinctive position within his environment if he is to be permanently and sharply mindful not to allow himself what is allowed to his fellowmen. This paradoxical demand in itself reveals the fact that a complete assimilation of the Jews could be effected only if a corresponding preparedness on the side of the much more powerful Gentiles were to prevail. And indeed, such a preparedness, which would coincide with a truly Christian and humane world order, would modify even these intrinsic religious residues in the psychic constitution of the Jews. Thus we are confronted with a vicious circle which confirms the rather pessimistic view taken by most of the contributors to this volume with regard to an effective remedy for latent anti-Semitism.

Something, however, and even much, can be done to prevent latent anti-Semitism from developing into open and violent hostility, and to achieve a situation in which self-discipline and self-education on both sides may create a better understanding and a gradually improving atmosphere. As I stated at the beginning, the outbursts of acute hostility toward the Jews have occurred only as a result of deliberate incitement, of a malicious pounding of anti-Semitic accusations, defamations and insinuations into the minds of the people. Only today, with our experience of the technique of business advertising and mass propaganda on a large scale, are we able to estimate the terrible effectiveness of repeated statements, however unsubstantiated and unreasonable, upon the minds of even ordinarily sensible people. The simple removal of these inflammatory factors is sufficient to calm the emotion, and to make people susceptible to reason and a certain amount of goodwill.

The studies investigating the social-psychological sources of anti-Semitism are accompanied by well-founded articles viewing the problem from the racial or economic angles. I should like to point with special

emphasis to the brilliant analysis by Miriam Beard who, with scholarship and wit, destroys the myth, introduced by Werner Sombart, of the specifically Jewish disposition toward financial predominance, and of the Jewish origin of capitalism.

Princeton, N. J.

ERICH KAHLER

FORD, CLELLAN S. *Smoke from Their Fires, the Life of a Kwakiutl Chief*. [Published for the Institute of Human Relations.] New Haven: Yale University Press. 1941. xiii & 248 pp., 4 illustrations. \$3.

This autobiography ranks with Radin's *Crashing Thunder* and Dyk's *Son of Old Man Hat* as an outstandingly useful personal-history document from a non-literate culture. There are, to be sure, other useful materials in this field. Underhill's *Autobiography of a Papago Woman*, for example, is excellent as far as it goes. But, by comparison with *Smoke from Their Fires*, the Papago woman's life story seems meagre and fragmentary. The life of Ford's informant has full amplitude of detail. We could wish that the narrator had been slightly more expansive with respect to those calmer, less dramatic periods which actually make up the bulk of the seventy years he covers. But the critical events of childhood, sexual experience and the death of those near and dear, and the episodes defined by the culture as crucially important, are dealt with richly. As always, the culture becomes much clearer to the outsider when it is seen from the secure vantage point of an individual life. Thus the potlatch of the northwest coast no longer seems an excessively complicated and rather unreal maze of economic rituals; seen from the eyes of a Kwakiutl chief, it makes sense.

A few comparisons, necessarily impressionistic, with the publications of Radin and Dyk will help to place general reactions in focus. Ford's introductory chapter gives a digest of Kwakiutl culture which for compactness, sharpness, sanity and accuracy (so far as the reviewer is able to judge of this) is altogether admirable. Indeed, in anthropological literature only Murdock's pictures in *Our Primitive Contemporaries* can be compared with it. Nevertheless it is the reviewer's feeling that this chapter, for all the skill and scrupulousness that went into it, remains somewhat at the level of the sketch of the Scythians by Herodotus, who had never been in Scythia. One misses that sense of direct, "intuitive" grasp of the native point of view which is so marked a feature of Radin's work.

It is my impression that the material presented in *Smoke from Their Fires* is not so sensitive or so suggestive of psychological subtleties as that

in *Son of Old Man Hat*. This reaction may well arise primarily out of my greater familiarity with Navaho culture. If it does have a more solid foundation in fact, it may be a resultant of the differing personalities of the two informants—or of those of the investigators. Over Dyk's work Ford's has, however, two very considerable advantages: Ford did not have to work through an interpreter; and he provides not only his "Introduction to Kwakiutl Society" but also a series of unobtrusive, yet highly pointed, notes to the autobiographical document itself. At times the reviewer wished for a more extensive interpretation and analysis, but the brevity undoubtedly has great advantages. The notes are uniformly sensible, and have a consistent theoretical orientation—essentially that of the rapprochement between psychoanalysis and stimulus-response learning theory which the staff of the Institute of Human Relations has worked out in very recent years. A concluding chapter or two which systematically drew together the inferences permitted by the data, both for the study of culture and for the study of individual psychology, would have enormously enhanced the significance of the book. But this is unquestionably the most adequately analyzed life history of a "primitive" which has yet appeared.

From the point of view of method the reviewer has one major complaint. The manner in which the material was obtained is not specified in sufficient detail. To what extent were specific questions asked, and what was the nature of these questions? Internal evidence suggests that Ford saw to it that the narrator covered certain topics which Ford judged to be of primary importance. It would be most helpful to know how many questions were asked on certain sample working days, and to have a precise list of these questions. What were working conditions? Were ethnographer and informant alone? Where did they work? Did they work fairly regular hours during an unbroken succession of days? Were the informant's motivations, so far as this could be ascertained, almost entirely economic? How was the approach made to him in the first instance? With what informal behaviors did he respond to various questions or to comments which may have been made by the investigator? In general, the part played by the ethnographer in obtaining the material has been almost entirely neglected.

This book represents an important advance on one of the principal frontiers of anthropological and psychological knowledge. But the presentation still leaves a great deal to be desired from the point of view of method.

Harvard University

CLYDE KLUCKHOHN

The Greek Political Experience. [Studies in honor of William Kelly Prentice.] Princeton: Princeton University Press. 1941. 249 pp. \$3.

The students and associates of William Kelly Prentice, Ewing Professor Emeritus of Greek languages and literature, have presented in this volume a series of individual studies, planned about the Greek political experience as a central theme. It starts with an essay by Norman T. Pratt, Jr., "The People and the Value of Their Experience"; T. Penrose Harland treats the developments "From Kingship to Democracy"; George M. Harper, "Democracy at Athens"; B. D. Meritt, "Athens and the Delian League"; P. R. Coleman Norton, "Socialism at Sparta"; Malcolm MacLaren, "Tyranny"; Charles Alexander Robinson, Jr., "Federal Unions"; O. W. Reinmuth, "Alexander and the World State"; John V. A. Fine, "The Antigonids"; Sherman Leroy Wallace, "Ptolemaic Egypt"; Glanville Downey, "The Seleucids"; David Magie, "The Political Status of the Hellenistic Cities"; Whitney Oates, "The Ideal States of Plato and Aristotle." Allan Chester Johnson concludes the book with an Epilogue.

THE GRADUATE FACULTY OF POLITICAL AND SOCIAL SCIENCE

SUMMER TERM 1943

In order to adjust its program to wartime needs the Graduate Faculty will conduct its summer session this year as a full term. A balanced program of three-credit courses, of fifteen meetings each, will be offered during July and August. The classes will meet 6:00-7:50 and 8:20-10:10 P.M., with two or four meetings weekly. This schedule may enable students to continue their studies during the summer without interference with their government or military occupations. The catalogue for the summer term will be published in March, and may be obtained on request at any time thereafter.

66 WEST TWELFTH STREET

NEW YORK, N. Y.

In its central theme this *Festschrift* has a great advantage over other books of its kind and origin. But though it does not claim to give the whole body of Greek political experience there are important gaps, and the views of the authors differ notably. All of the studies are conscientious reports of the material, but not all of them succeed in being more than that, by giving the background or context in which the facts have their concrete life. Thus the studies dealing with the classical time are not quite satisfactory, for they fail to give an adequate idea of the specific character of the Greek city state and its unique unity of religion, customs and politics. Without such emphasis the modern connotations of political concepts are misleading; for example, the use of the term "socialism" for Sparta is unfortunate. The studies concerned with the later periods are free from this handicap, however, and some of them, especially those about Alexander's world state, the Antigonids and the Seleucids, are excellent and valuable contributions to historical understanding.

KURT RIEZLER

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MAX ASCOLI (on leave in federal service)—Legal and political philosophy—Formerly at various Italian universities.

ARNOLD BRECHT—Political science, jurisprudence, public finance—Formerly at Deutsche Hochschule für Politik (Berlin); in Reich and Prussian ministries.

GERHARD COLM (on leave in federal service)—Public finance and world economics—Formerly at Kiel and Institut für Weltwirtschaft und Seeverkehr (Kiel).

FERNANDO DE LOS RIOS—Political philosophy—Formerly at Madrid; Minister of Justice, Education, Foreign Affairs (Spain); Ambassador to the United States.

EMIL J. GUMBEL (Visiting Professor)—mathematical statistics—Formerly at Heidelberg, Sorbonne, Lyons.

EDUARD HEIMANN—Economics—Formerly at University of Hamburg.

JULIUS HIRSCH (Visiting Professor)—Business economics—Formerly at Cologne, Berlin, Copenhagen; German Price Control Board; Reich Secretary for Economics.

ERICH HULA—Political science and law—Formerly at Cologne; Secretary, Chambers of Labor at Graz and Vienna.

ALVIN JOHNSON—Director of the New School for Social Research and Chairman of the Graduate Faculty.

ALFRED KAHLER—Economic theory, statistics, labor problems—Formerly Director, Volkshochschule Harrisleefeld.

HORACE M. KALLEN—Philosophy and psychology—Member of the New School since its founding in 1919.

FELIX KAUFMANN—Philosophy, methodology—Formerly at Vienna; Manager, Austrian subsidiary, Anglo-Persian Oil Co.

ALEXANDRE KOYRE (Visiting Professor)—Philosophy—Formerly at Sorbonne, Cairo, Montpellier.

ERNST KRIS (Visiting Professor)—Public opinion—Formerly at Institute of Psychoanalysis, Vienna, London; British Broadcasting Corporation monitoring service.

ABBA P. LERNER—Economic theory—Formerly at London School of Economics and at Amherst.

ADOLPH LOWE—Economics—Formerly at Kiel, Goethe (Frankfurt a.M.), Manchester; in Reich ministries.

CARL MAYER—Sociology—Formerly at Heidelberg, Frankfurt a.M.

BORIS MIRKINE-GUETZEVITCH (Visiting Professor)—Political science—Formerly at Academy of International Law (The Hague) and at Paris.

ALEXANDER H. PEKELIS—Legal sociology—Formerly at Florence, Rome; practiced law in Italy and France.

KURT RIEZLER—Philosophy and philosophy of history—Formerly at Goethe (Frankfurt); in German foreign service.

ALBERT SALOMON—Sociology—Formerly at Cologne and at Deutsche Hochschule für Politik (Berlin).

PAUL SCHRECKER (Visiting Professor)—Philosophy—Formerly at Sorbonne, British Academy (London).

RICHARD SCHULLER (Visiting Professor)—Economics—Formerly at Vienna; Board of Trade, Foreign Office (Austria).

HANS SIMONS—Political science, international law—Formerly Director, Deutsche Hochschule für Politik (Berlin); in Reich and Prussian Ministries of Interior.

HANS SPEIER (on leave in federal service)—Sociology—Formerly at Deutsche Hochschule für Politik (Berlin).

HANS STAUDINGER (Dean)—Economics—Formerly in Reich Economics Ministry; State Secretary, Ministry of Trade and Industry; Chairman, Board of Public Utilities.

CLAUDE L. STRAUSS (Visiting Professor)—Ethnology—Formerly at Sao Paulo.

LEO STRAUSS—History of philosophy and political thought—Formerly at Academy of Jewish Research (Berlin).

MAX WERTHEIMER—Psychology, philosophy—Formerly at Berlin, Frankfurt a.M.

FRIEDA WUNDERLICH—Economics and sociology—Formerly at Berufs-Pädagogische Institut (Berlin); Director, Bureau für Sozialpolitik.

JULIUS WYLER (Visiting Professor)—economics and statistics—Formerly at Berne; Swiss Federal Statistical Office.

66 WEST TWELFTH STREET

NEW YORK, N. Y.

BOOKS RECEIVED

- ABEL, THEODORA M., and KINDER, ELAINE F. *The Subnormal Adolescent Girl*. New York: Columbia University Press. 1942. xiii & 215 pp. \$2.50.
- BALDWIN, CLAUDE DAVID. *Economic Planning—Its Aims and Implications*. Urbana, Ill.: University of Illinois Press. 1942. 188 pp. Paper \$2; Cloth \$2.50.
- BARON, SALO WITTMAYER. *The Jewish Community: Its History and Structure to the American Revolution*. [Moses Loeb Series.] Philadelphia: Jewish Publication Society of America. 1942. Vol. 1, xiv & 374 pp.; Vol. 2, vi & 366 pp.; Vol. 3, x & 572 pp. \$7.50 per set.
- BELL, EARL H. *Culture of a Contemporary Rural Community—Sublette, Kansas* [Rural Life Studies no. 2.] Washington: U. S. Department of Agriculture, Bureau of Agricultural Economics. 1942. 113 pp.
- BINGHAM, ALFRED M. *The Techniques of Democracy*. New York: Duell, Sloan and Pearce. 1942. 314 pp. \$3.
- BRUNNER, EDMUND DE S. *Community Organization and Adult Education*. Chapel Hill: University of North Carolina Press. 1942. 124 pp. \$2.
- CRUM, WILLIAM LEONARD; FENNELLY, JOHN F.; and SELTZER, LAWRENCE HOWARD. *Fiscal Planning for Total War*. New York: National Bureau of Economic Research. 1942. xviii & 351 pp., index 6 pp. \$3.
- DEWEY, JOHN. *German Philosophy and Politics*. [Revised Edition.] New York: G. P. Putnam's Sons. 1942. 145 pp., index 3 pp. \$2.
- DUKER, ABRAHAM G., ed. *Governments-in-Exile on Jewish Rights*. [Pamphlet Series: Jews and the Post-War World, no 3.] New York: American Jewish Committee, Research Institute on Peace and Post-War Problems. 1942. 64 pp. 25 cents.
- ELDRIDGE, SEBA. *Development of Collective Enterprise: Dynamics of an Emergent Economy*. Lawrence, Kansas: University of Kansas Press. 1943. 577 pp. \$4.50.
- GELBER, LIONEL. *Peace by Power*. New York: Oxford University Press. 1942. 159 pp. \$1.50.
- HORNBECK, STANLEY K. *The United States and the Far East: Certain Fundamentals of Policy*. Boston: World Peace Foundation. 1942. 57 pp., appendix 42 pp. Paper 50 cents; Cloth \$1.
- HORNEY, KAREN. *Self-Analysis*. New York: W. W. Norton. 1942. 303 pp., index 5 pp. \$3.
- JORDAN, HENRY P., ed. *Problems of Post-War Reconstruction*. [Foreword by Stephen Duggan.] Washington: American Council on Public Affairs. 1942. xix & 292 pp. Paper \$2.75; Cloth \$3.25.
- JORDAN, W. K. *Men of Substance*. Chicago: University of Chicago Press. 1942. 258 pp., bibliography 9 pp., index 17 pp. \$3.
- KATONA, GEORGE. *War Without Inflation*. New York: Columbia University Press. 1942. 207 pp., index 5 pp. \$2.50.
- KAZIN, ALFRED. *On Native Grounds*. New York: Reynal and Hitchcock. 1942. 518 pp., index 19 pp. \$3.75.
- KETTNER, FREDERICK. *Winning the War and a Lasting Peace*. [Biosophical Series, no. 6.] New York: Biosophical Institute. 1942. 24 pp. 25 cents.
- KNIGHT, G. WILSON. *The Starlit Dome*. New York: Oxford University Press. 1940. 314 pp. \$4.50.
- KOLLMORGEN, WALTER M. *Culture of a Contemporary Rural Community—The Old Order Amish of Lancaster, Pa.* [Rural Life Studies no. 4.] Washington: U. S. Department of Agriculture, Bureau of Agricultural Economics. 1942. 105 pp.

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- KOTSCHNIG, WALTER M. *Slaves Need No Leaders*. New York: Oxford University Press. 1943. 275 pp., index 8 pp. \$2.75.
- LEONARD, OLEN, and LOOMIS, G. P. *Culture of a Contemporary Rural Community—El Cerrito, New Mexico*. [Rural Life Studies no. 1.] U. S. Department of Agriculture, Bureau of Agricultural Economics. 1942. 72 pp.
- LIGUE INTERNATIONALE DES DROITS DE L'HOMME ET DE LA DEMOCRATIE NOUVELLE. *Textes Sacrés de la Liberté*. New York: Editions de la Maison Francaise. 1942. 62 pp. 50 cents.
- MILL, JOHN STUART. *The Spirit of the Age*. [Introductory Essay by Frederick A. von Hayek.] Chicago: University of Chicago Press. 1942. 94 pp. \$1.50.
- MILLIS, HARRY A., Research Director. *How Collective Bargaining Works*. New York: Twentieth Century Fund. 1942. 868 pp., appendices 95 pp., index 20 pp. \$4.
- REVES, EMERY. *A Democratic Manifesto*. New York: Random House. 1942. 144 pp. \$1.50.
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Conrad Taeuber, Managing Editor
U. S. Department of Agriculture
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- Mask*. New York: Macmillan. 1943. 159 pp. \$2.
- SWEETZ, PAUL M. *The Theory of Capitalist Development*. New York: Oxford University Press. 1942. 364 pp., appendices and notes 28 pp., index 6 pp. \$4.
- TAMAGNA, FRANK M. *Banking and Finance in China* [I.P.R. Inquiry Series.] New York: Institute of Pacific Relations. 1943. xxi & 400 pp. \$4.
- TATE, MERZE. *The Disarmament Illusion*. New York: Macmillan. 1942. 361 pp., index 20 pp. \$4.
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- The U.S.S.R. at War: 50 Questions — 50 Answers*. New York: American Russian Institute. 1942. 48 pp. 10 cents.
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- WHITAKER, ARTHUR P., ed. *Inter-American Affairs, 1941*. New York: Columbia University Press. 1942. 230 pp., index 10 pp. \$3.
- WOODBURY, ROBERT MORSE. *Food Consumption and Dietary Surveys in the Americas*. [Report presented by the International Labour Office to the Eleventh Pan American Sanitary Conference held in Rio de Janeiro, 7 to 18 September 1942.] Montreal: International Labour Office. 1942. 64 pp. 35 cents; 1/6.

THE JOURNAL OF LAND & PUBLIC UTILITY ECONOMICS

A quarterly published in February, May, August
and November by the University of Wisconsin

The *Journal*, which was founded in 1925 by Richard T. Ely and is now in its nineteenth year, carries scientific articles dealing with the economic problems of land and public utilities. Its departments carry shorter notes and comments on current developments relating to urban land, land resources, and public utilities, as well as reviews of recent literature in these fields.

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